Study of the Implementation Of the Economic Dislocation And Worker Adjustment Assistance Act

Research and Evaluation Report Series 91-G

U.S. Department of Labor
Lynn Martin, Secretary

Employment and Training Administration
Robert T. Jones, Assistant Secretary
for Employment and Training

Office of Strategic Planning and Policy Development
Raymond J. Uhalde, Administrator

1992

Research and Evaluation Report Series

The Research and Evaluation Report Series presents information about and results of projects funded by the Office of Strategic Planning and Policy Development (OSPPD) of the U.S. Department of Labor's Employment and Training Administration. These projects deal with a wide range of training, employment, workplace literacy, labor market, and related issues. The series is published under the direction of OSPPD's Dissemination Unit.

This report in the series was prepared by SRI International, of Menlo Park, Calif., under Department of Labor Contract No. 99-9-3104-98-084-01. Authors include: Katherine P. Dickinson, project director; Deborah J. Kogan, co-principal investigator; Kevin J. Rogers, policy analyst; and Mary Visher, senior social scientist. OSPPD's project officer for the study was Daniel A. Ryan.

Contractors conducting research and evaluation projects under Federal sponsorship are encouraged to express their own judgment freely. Therefore, this report does not necessarily represent the official opinion or policy of the Department of Labor.

CONTENTS

EXECUTIVE SUMMARY S-1

SECTION A: INTRODUCTION

I INTRODUCTION I-1
OVERVIEW I-1
BACKGROUND AND THEMES OF THE EDWAA LEGISLATION I-2
History of Dislocated Worker Program Under Title III I-2
Themes of the EDWAA Legislation I-3
GOALS OF THE STUDY I-10
Descriptive Goals I-10
Analytic Goals I-10
Policy Goals I-11
ORGANIZATION OF THE FINAL REPORT I-11

II STUDY DESIGN II-1
OVERVIEW II-1
SAMPLE OF STATES AND SUBSTATE AREAS II-2
Size of the State and Substate Samples II-2
State Sample Selection Criteria and Sampling Procedures II-2
Substate Area Selection Criteria and Sampling Procedures II-4
Sampling Service Providers II-4
CASE STUDY METHODS II-7
Site Visits II-7
Write-ups of Individual Case Studies II-12
Cross-Site Analysis II-13

SECTION B: DESIGN OF EDWAA

III STATE ORGANIZATION AND DESIGN OF EDWAA III-1
STAFFING FOR STATE EDWAA FUNCTIONS III-2
Policymakers III-2
Staffing for Program Operations III-3

GOALS FOR THE STATEWIDE SYSTEM: STATE CLIENT AND SERVICE PRIORITIES III-4
Client Goals III-4
Service Priorities III-8
BUILDING A SUBSTATE DELIVERY SYSTEM III-10
Designation of Substate Areas III-10
Distributing Funds to Substate Areas III-12
Distribution of 10% Funds III-18
ENSURING PROGRAM AND FISCAL ACCOUNTABILITY III-20
Program Accountability III-20
Fiscal Accountability III-26
USE AND ADEQUACY OF STATE FUNDS III-29
Cost Categories III-30
Adequacy of State Funds III-34
SUMMARY OF STATE ROLE IN EDWAA III-36
SUMMARY AND ISSUES FOR DOL CONSIDERATION III-40
Summary of Results III-40
Issues for DOL Consideration III-46

IV SUBSTATE ORGANIZATION AND DESIGN OF EDWAA IV-1
INTRODUCTION IV-1
ORGANIZATION AND STAFFING IV-1
Influence of Local Policymakers on EDWAA Design and Operations IV-1
Relationship Between EDWAA and Title II-A Staff and Providers IV-3
Role of Substate Areas Vis a Vis Service Providers IV-4
Relationship Between EDWAA and Previous Title III Organization and Staffing IV-5
SUBSTATE PRIORITIES FOR EDWAA IV-7
Client Priorities IV-7
Service Priorities IV-13
Substate Area Performance Goals IV-21
ADEQUACY OF FUNDS AT SUBSTATE AREA LEVEL IV-22
Adequacy of Formula Funds IV-22
Access to Discretionary Funds IV-27
SUMMARY AND ISSUES FOR DOL CONSIDERATION IV-30
Summary of Results IV-30
Issues for DOL Consideration IV-33

V INTERAGENCY DESIGN ISSUES V-1
INTRODUCTION V-1
LABOR-MANAGEMENT COOPERATION V-1
The Objectives of Labor-Management Cooperation V-1
Description of the Labor-Management Committee Model V-2
Experience With Labor-Management Committees V-4
Other Strategies to Further Labor-Management Cooperation V-12
SUMMARY AND ISSUES FOR DOL CONSIDERATION V-15
Summary of Results V-15
Issues for DOL Consideration V-17
COORDINATION BETWEEN EDWAA AND OTHER PROGRAMS V-18
Legislative Provisions V-18
Intended Goals of Coordination V-19
Coordination with ES/UI Programs V-20
Coordination with TAA V-25
Coordination with Economic Development V-29
Coordination with Education Agencies V-32
Coordination with Other Employment and Training Programs V-33
Coordination with Human Services Agencies V-34
Factors Influencing Coordination V-35
SUMMARY AND ISSUES FOR DOL CONSIDERATION V-36
Summary of Results V-36
Issues for DOL Consideration V-40

SECTION C: OPERATION OF EDWAA

VI RAPID RESPONSE ACTIVITIES VI-1
INTRODUCTION VI-1
LINKAGES WITH WARN VI-2
WARN Notice Procedures VI-2
Concerns About the WARN Provisions VI-4
Other Sources of Layoff Information VI-5
STATE AND SUBSTATE ROLES IN PROVIDING RAPID RESPONSE VI-6
States' Views of Their Rapid Response Roles VI-6
Technical Assistance to Substate Areas VI-8
Funding of Rapid Response Services VI-8

Summary VI-9
RAPID RESPONSE ACTIVITIES VI-9
Layoff Prevention Efforts VI-9
On-Site Meetings with Employers VI-10
Orientation Meetings VI-12
Summary of Rapid Response Activities VI-14
State Role After Rapid Response VI-15
Summary of State Commitment to Rapid Response VI-16
SUMMARY AND ISSUES FOR DOL CONSIDERATION VI-16
Summary of Results VI-16
Issues for DOL Consideration VI-20

VII BASIC READJUSTMENT SERVICES VII-1
INTRODUCTION VII-1
RAPID-RESPONSE-LINKED BASIC READJUSTMENT SERVICES VII-1
Prelayoff Basic Readjustment Services VII-2
Plant-Specific Projects VII-5
GENERAL BASIC READJUSTMENT SERVICES VII-6
Preenrollment Basic Readjustment Services VII-6
Postenrollment Basic Readjustment Services VII-10
SUMMARY AND ISSUES FOR DOL CONSIDERATION VII-13
Summary of Results VII-13
Issues for DOL Consideration VII-16

VIII RETRAINING SERVICES VIII-1
FUNDING FOR RETRAINING SERVICES VIII-1
Funds for General Retraining Services VIII-1
Funds for Special Projects Involving Retraining VIII-2
Coordination of Substate and State Funds for General Retraining Services and Plant-Specifc Projects VIII-3
GENERAL RETRAINING SERVICES FOR DISLOCATED WORKERS VIII-4
Classroom Training VIII-4
On-The-Job-Training VIII-10
RETRAINING SERVICES PROVIDED THROUGH PLANT-SPECIFIC PROJECTS VIII-11

SUMMARY AND ISSUES FOR DOL CONSIDERATION VIII-14
Summary of Results VIII-14
Issues for DOL Consideration VIII-16

SECTION D: SUMMARY AND CONCLUSIONS

IX PROGRESS IN IMPLEMENTING THE THEMES OF THE EDWAA LEGISLATION IX-1
BUILDING A SUBSTATE DELIVERY SYSTEM IX-1
IMPROVING PROGRAM ACCOUNTABILITY IX-2
IMPLEMENTING RAPID RESPONSE IX-4
ENCOURAGING LABOR-MANAGEMENT COOPERATION IX-5
PROMOTING COORDINATION OF FUNDS AND SERVICES IX-7
SERVING A BROAD RANGE OF DISLOCATED WORKERS IX-8
PROMOTING LONG-TERM TRAINING IX-10
CONCLUSIONS. IX-12
Pay Greater Attention to the Objectives of EDWAA IX-12
Work to Develop a Coordinated State and Substate Area Dislocated Worker Program IX-13
Develop Clear Strategies for Targeting Dislocated Workers and Disseminate Effective Service Designs IX-14

TABLES

II-1 State and Substate Samples for EDWAA Implementation Study II-5
IV-1 Adequacy of Funding by Weight Given to Plant Closures in State Allocation Formula IV-28

EXHIBITS

II-1 State Level Topics II-8
II-2 Substate Level Topics II-9
II-3 Project Level Topics II-10

SUMMARY OF FINDINGS AND CONCLUSIONS

STUDY OBJECTIVES

This report summarizes the findings from the first phase of a 3-year study of the implementation of the Economic Dislocation and Worker Adjustment Assistance (EDWAA) Act performed for the U.S. Department of Labor, based on the implementation experience of 15 states and 30 substate areas during Program Year 1989 (PY 89).

Title III of JTPA, which became law in 1982, was the first federally funded program designed explicitly to meet the specific employment needs of the broad range of dislocated workers. Three factors influenced the design of this initial Title III legislation: a lack of knowledge of the best structure for dislocated worker programs, a perception of the dislocated worker problem as a series of specific events (e.g., plant closures) requiring individualized responses, and the advent of the new federalism. Consequently, Title III was a relatively unstructured program, with the design of the administrative and service delivery system left almost entirely to the discretion of the states.

There were a number of perceived problems with the implementation of Title III, including:

- Underexpenditure of available funds in the face of need.
- Service to only a small percentage of dislocated workers.
- Overemphasis on job search assistance and short-term training relative to longer-term retraining.
- The lack of capacity to provide rapid response to specific dislocations in many states.
- The unintended effects of the requirement for matching funds on the types of services provided and the types of dislocated workers served, without the intended effect of providing additional resources for service to dislocated workers.

The EDWAA legislation was developed in part to respond to these deficiencies in the previous Title III program and encompassed seven themes or objectives:

(1) Building the capacity of substate entities to plan and administer dislocated worker services.

(2) Improving resource management practices and program accountability for services and outcomes.

(3) Ensuring a capacity for rapid response to notifications of impending plant closures and large-scale layoffs.

(4) Promoting labor-management cooperation in designing and implementing services to dislocated workers.

(5) Ensuring coordination between EDWAA resources and other federal, state, and local funding streams that can be used to help provide effective services to dislocated workers.

(6) Extending program coverage to broad segments of the eligible dislocated worker population.

(7) Encouraging states and substate areas to take a long-term view of worker readjustment, including offering opportunities for meaningful retraining and implementing long-term reemployment plans, where appropriate.

STUDY DESIGN

The primary objective of the first phase of this study was to assess progress in furthering these themes of the legislation. To accomplish this objective, the study was designed to examine the state- and substate-level design and operations of the EDWAA program in its initial implementation year, PY 89.

Detailed case studies were conducted in 15 states and 30 substate areas. The state sample was selected randomly to represent the typical EDWAA dollar expended across the nation and was stratified on key features of the previous Title III program: whether the state had a rapid response capacity before EDWAA, whether the state had an established substate service delivery system before EDWAA, and the state's expenditure rate. Two substate areas were selected in each state with strata to ensure variation on urban vs. rural character, level of unemployment, and percentage of employment in manufacturing.

Case study investigations consisted of 6- to 8-day site visits to each state. Field researchers conducted discussions with a variety of state and substate respondents. Respondents included state and substate EDWAA policymakers and administrators, rapid response staff, and substate staff or service providers involved in the design and delivery of EDWAA services to dislocated workers. Representatives from state or local agencies involved in coordination efforts with the EDWAA service system, such as local labor or business organizations, economic development agencies, and Unemployment Insurance (UI) or Employment Service (ES) representatives were also contacted as part of the case study research.

This summary presents the key findings of the study. We begin by discussing the initial organization and design of the EDWAA program at the state, substate, and interagency levels. We then discuss EDWAA operations, including rapid response activities, basic readjustment services, and retraining services. We conclude by assessing overall progress in furthering the seven themes of the legislation and providing recommendations for improvements.

DESIGN OF EDWAA

State Organization and Design

The EDWAA legislation created a major shift in state Title III roles and responsibilities by requiring states to designate substate areas and provide at least 60% of each state's EDWAA allotment to designated substate grantees through a combination of formula allocations (of at least 50% of the state's allotment) and discretionary grants. Thus, under EDWAA, states have major roles in building a substate delivery system, ensuring program accountability, and administering state funds.

In the transition from the previous Title III program to EDWAA, the states that had operated highly centralized programs were required to make substantial changes to develop substate delivery systems. States that had controlled the flow of discretionary grants to a variety of local service providers also lost much of their direct control of local program operations to substate areas under EDWAA. A few states that had previously given substate areas a strong role in the design and delivery of Title III services had to make less dramatic changes to implement the EDWAA program.

Building a Substate Delivery System

Designation of Substate Areas—States almost universally chose to make the geographic boundaries of substate areas the same as the service delivery areas (SDAs) used for Title II-A programs for economically disadvantaged workers. With only a few case-by-case exceptions, most study states also selected Title II-A SDAs as the agencies to receive substate EDWAA funds. The reasons for this choice included: the desire to avoid creating a new substate structure and incurring additional overhead costs when the SDA structure already existed; the demonstrated capacity of SDAs to design and administer local employment and training services; and, in a number of states, political pressure to designate SDAs as the EDWAA substate grantees.

Distribution of Funds to Substate Areas—In devising formulas for distributing funds to substate areas, states found it difficult to locate reliable and consistent data for some of the six federally required formula factors, particularly the three factors measuring economic dislocation (plant closings and mass layoffs, declining industries, and farmer and rancher economic hardship). As a result, state allocation formulas tended to give these factors less weight and to focus on factors related to unemployment.

In only about half the states did state staff believe that their substate allocation formulas did a good job of distributing EDWAA funds in accordance with local need, although few had specific suggestions for improvement. Generally, the formulas tended to provide insufficient funds to substate areas that had large numbers of substantial layoffs and fairly low unemployment rates, particularly in states that did not emphasize the economic dislocation factors in their allocation formulas.

Only one-third of the states held 10% of the funds in reserve during the first half of the program year for discretionary grants to substate areas that requested additional funding. The remaining two-thirds of the study states awarded 60% of the state EDWAA allotment to substate areas at the beginning of the program year, using substate allocation formulas to assess local need and determine substate funding shares.

Client Targeting—Each of the 15 study states established client priorities for EDWAA. States facing major dislocations tended to give priority to recently laid-off workers. The remaining states generally gave equal priority to long-term unemployed and recently dislocated workers. One state with few large-scale layoffs gave priority to the long-term unemployed.

Although most states used only general policies to guide client targeting, several were more proactive. One state established equitable service goals for age, sex, and ethnicity subgroups. Several states used restrictive definitions for EDWAA eligibility criteria. For example, one state limited the long-term unemployed to those laid off within the preceding 3 years, and another extended eligibility to UI recipients and long-term unemployed only if they had worked for the same employer for at least 3 years. Most states, however, encouraged inclusive definitions of EDWAA eligibility criteria.

Service Design—States generally deferred to substate areas the design of specific services for dislocated workers. Most states, however, regarded as appropriate the federal requirement that substate areas expend 50% of their funds on retraining: only a few states encouraged substate areas to request waivers. Most states encouraged substate areas to provide longer-term training to dislocated workers, but none had implemented mechanisms to reward the provision of long-term training.

Despite their policy support for long-term training, states did not encourage substate areas to provide needs-related payments to dislocated workers to provide income support during the training, and several states actually discouraged this practice. In the absence of strong state encouragement, most substate areas gave little emphasis to supportive services and needs-related payments.

Ensuring Program and Fiscal Accountability

Technical Assistance—Most states did not play an active role in providing technical assistance to substate areas. Some states saw no need to advise substate areas because of the SDAs' extensive experience operating employment and training programs for economically disadvantaged individuals. Other states felt that they had to defer to SDA discretion under the new state/substate division of responsibilities. About one-third of the study states were more active in helping SDAs to develop substate plans for EDWAA and providing technical assistance in program design or implementation.

Monitoring—Monitoring generally consisted of desk reviews of written reports and field reviews of program compliance. Although desk reviews were sometimes performed by EDWAA specialists, field reviews were usually performed by staff responsible for monitoring both Title II-A and Title III. As a result, these reviews generally focused on procedural issues

rather than on whether substate services were responsive to the needs of the targeted dislocated worker population.

Expenditure Requirements—Fiscal accountability was a top priority in the implementation of EDWAA at the state level because of the new federal requirement that each state spend 80% of available EDWAA funds or be subject to federal funds recapture. States used a variety of mechanisms to ensure meeting the 80% expenditure requirement. All states implemented expenditure reporting systems to monitor expenditure levels monthly. Two-thirds of the study states encouraged underspending substate areas to deobligate funds voluntarily during the program year. All but one state had procedures to recapture funds from substate areas that failed to meet their expenditure targets by the end of the program year. Two-thirds of the states studied also had policies calling for interim recapture of underexpended funds during the program year. However, when faced with delinquent substate areas, only half of these states actually carried out their threats to recapture funds before the end of the program year. States that did recapture funds during the program year found that they had a new problem: how to reallocate these funds to substate areas in need of additional funds and ensure their expenditure before the end of the program year.

Adequacy of State Funds—Most of the study states indicated that their overall PY 89 funding levels had been adequate to meet state and substate needs; however, four states indicated that their state allotment had not been sufficient. Only two or three of the study states expected to have to give some funds back to the federal government because of failure to meet the 80% expenditure requirement for PY 89. Most states anticipated more rapid spending during PY 90 because substate areas were more experienced with dislocated worker programs, outreach and recruitment practices were already in place, and some funds were already obligated for services to carryover clients attending long-term training.

Use of State Funds

Many states retained a strong role in the design and administration of 40%-funded activities. States budgeted their 40% funds for a variety of activities, including administrative expenses, rapid response activities, reserves for plant-specific projects or discretionary grants to substate areas, contracts with state agencies for the delivery of basic readjustment or retraining services on a statewide basis, and special state-initiated projects.

Budgeted rapid response costs, in particular, were usually reserved for state agency staff or state rapid response contractors, even when substate staff were actively involved in rapid response activities. Over half the study states used 40% funds to contract with one or more state agencies for the costs of providing specific services to dislocated workers statewide. In funding plant-specific projects or other state-initiated projects with 40% funds, some states contracted primarily with substate areas, while other states directly funded a variety of local service providers.

Substate Issues in EDWAA Organization and Design

Service Delivery Arrangements

Only about half the substate areas studied had previous experience administering services to dislocated workers under Title III. Some of the substate areas without Title III experience contracted with service providers that were experienced in serving dislocated workers. Others expanded their existing Title II-A employment and training service systems to include dislocated workers by expanding existing contracts or awarding new EDWAA contracts to the same service providers.

Overall, 8 of the 30 substate areas studied operated EDWAA programs during PY 89 that were separate and distinct from the service systems for economically disadvantaged clients under Title II-A. These substate areas tended to have substantial layoff activity in their local economies, were experienced in serving dislocated workers, and viewed the backgrounds and needs of EDWAA participants as significantly different from those of Title II-eligible participants.

Eleven of the substate areas made service delivery arrangements that were partially integrated with Title II-A service systems. For example, in one substate area in this category, EDWAA clients were served by an integrated EDWAA/Title II-A intake and assessment system, but were referred to a counselor specializing in dislocated workers for basic readjustment services and the development of a service plan.

The remaining 11 substate areas studied operated EDWAA services that were highly integrated with Title II-A services. Many of these sites targeted long-term unemployed workers under EDWAA and perceived little difference between EDWAA and Title II-A clients.

Substate Client Priorities

Substate areas most often gave priority to a single type of dislocated worker. About half of the substate areas gave priority to recently laid-off workers, while one-third gave priority to long-term unemployed workers. The remaining substate areas sample either ranked both groups equally or had no clear client priorities. The substate areas' choice of priority target group was strongly influenced by the number and size of recent plant closings and layoffs. In substate areas with high rates of dislocation, newly laid-off workers were usually given priority for EDWAA services; in substate areas with few or no plant closures, long-term unemployed were given priority. Exceptions to this pattern occurred in several substate areas with significant levels of recent small-scale layoffs that chose to target long-term unemployed workers rather than the workers affected by recent layoffs.

Most substate areas formally planned to serve displaced homemakers, but few had actually done so by the time of our site visits. One-fifth of the substate areas visited (mostly those experiencing high rates of dislocation) were attempting to develop measures to identify dislocated workers "most in need" of EDWAA services, so that these groups of workers could receive service priority.

Substate Service Goals

Most substate areas enthusiastically adopted the federal emphasis on providing retraining services for dislocated workers. Only four study sites planned to spend less than 50% of their funds on retraining and had received state waivers of the 50% retraining expenditure requirement. The remaining sites allocated at least 50% of their substate budgets for retraining; one-quarter allocated over 60% of their resources to retraining.

Although most substate areas emphasized retraining expenditures, not all substate respondents believed that this resulted in the service design best suited to the needs of dislocated workers. One-third of the substate areas indicated that the current emphasis on retraining constrained the design and delivery of basic readjustment services needed by dislocated workers and also caused supportive services to receive little attention in EDWAA budget considerations. Some substate respondents indicated that the emphasis on retraining expenditures also increased the perceived pressure on EDWAA service providers to write OJT contracts, even if direct placements were possible, and reduced the incentives to leverage other funding sources to help support the costs of retraining for EDWAA clients.

About half the study sites emphasized the provision of long-term training for dislocated workers. Substate areas committed to the provision of long-term training tended to be areas with a high level of recent dislocation or a high concentration of low-skilled or semi-skilled dislocated workers.

All but one substate area offered both OJT and classroom training to dislocated workers. Over half the study sites emphasized the delivery of classroom training; about one-third emphasized OJT; the remainder offered both types of training at about the same rate. The emphasis on basic skills remediation as part of the retraining options for dislocated workers varied greatly, according to the characteristics of the dislocated workers targeted by the local EDWAA system.

Most substate areas offered only limited supportive services to dislocated workers. Only a handful offered needs-related payments. When offered, needs-related payments usually consisted of a small weekly sum or one-time emergency payments.

Interagency Design Issues—Labor-Management Cooperation

Adapting a model borrowed from dislocated worker services in Canada, the EDWAA legislation promotes the use of labor-management committees to achieve the broad objectives of labor-management cooperation, including: reducing labor-management tensions and distrust, making dislocated worker services responsive to workers' needs, and increasing the effectiveness of outreach and recruitment efforts. Once attained, these objectives will help facilitate early intervention and increase available funding to address the needs of affected workers by coordinating public and private resources.

Formation of Labor-Management Committees

Although a majority of the states visited encouraged labor and management participation in planning early intervention services and identifying worker needs, only one-third were committed to creating formal labor-management committees and had created at least one new committee during PY 89. States were generally more active in the promotion and support of labor-management committees than substate areas, although substate staff or service providers had played an active role in developing labor-management committees in several of the study sites.

Formal labor-management committees were used in two distinct situations. In some states, *rapid-response-linked* committees were used to assist with early intervention and the design and delivery of prelayoff services. These committees tended to disband shortly after the layoff was complete. In other states, *project-linked* committees were formed to help design and play a role in administering plant-specific projects that continued to serve affected workers in a special setting during an extended layoff. These committees usually continued to operate after the layoff had occurred until all affected workers had completed basic readjustment and retraining activities.

States and substate areas that did not use labor-management committees identified several barriers preventing their use, including:

- The difficulty of creating a formal labor-management committee within the relatively short 60-day advance warning required by the WARN legislation.
- The time-consuming and frustrating negotiations required to create a functioning labor-management committee, particularly when labor-management tensions are high.
- Strong anti-union sentiment among employers in some communities that would make the promotion of labor-management committees counterproductive to obtaining management cooperation with rapid response activities.
- The difficulty of selecting worker representatives who can speak for the workers in a workplace without organized labor.
- A lack of clarity about the intended role of committees in administering plant-specific projects, especially vis-a-vis the substate grantee's financial responsibility for overseeing the expenditure of substate retraining funds.

Other Mechanisms to Promote Labor-Management Cooperation

A variety of other mechanisms were used to promote labor-management cooperation. Several states supported the development of local labor-management councils or "standing labor-management committees" to provide an ongoing organizational framework that would already be in place when a specific plant closure or layoff occurred. These committees were used to assist in planning dislocated worker services instead of or in combination with plant-specific labor-management committees.

One state used a "community response team" consisting of representatives from labor, management, local service providers, and the local substate area. Another state encouraged the formation of new incorporated entities with both labor and management representation on their executive boards to operate plant-specific projects.

In addition, a number of states encouraged separate contributions by labor and management in planning, funding, and operating dislocated worker services. Several states regularly requested financial or in-kind contributions from employers to help support the retraining and reemployment of laid-off workers. Several states encouraged employers to use contacts with other local employers to assist in job development, e.g., through writing letters and sponsoring job fairs at the work site for laid-off workers.

Labor involvement mechanisms included asking labor representatives to review plans for plant-specific projects or general dislocated worker services, the participation of representatives of state or local labor organizations in worker orientations or in the design and delivery of prelayoff services, and using service provider staff who had themselves been dislocated workers to provide services to EDWAA participants in plant-specific projects or general dislocated worker services.

Interagency Design Issues—Coordination Between EDWAA and Other Programs

The EDWAA legislation calls for the coordination of EDWAA services with related programs at both the state and substate levels to enhance the intensity and effectiveness of the services provided to dislocated workers and to increase the efficiency with which limited EDWAA resources are used. Coordination efforts are specifically required for the Trade Adjustment Assistance (TAA) program, state and local Employment Services (ES) and Unemployment Insurance (UI) programs, economic development agencies, and education, employment and training, and other human services agencies and funds.

Coordination with the ES/UI System

Coordination between EDWAA and ES/UI programs was both widespread and effective in increasing the services available to dislocated workers. Most states had nonfinancial agreements for the general coordination of EDWAA activities with state ES/UI agencies. Nearly two-thirds of the substate areas also had nonfinancial agreements with the local ES/UI system that often provided referral of eligible dislocated workers to the EDWAA system and access to UI data to

certify the eligibility of EDWAA applicants. These agreements were usually negotiated at the local level, although several states developed agreements that were passed down to the substate agency level. Coordination with ES/UI often improved the availability of relevant information about the extent and location of recent layoffs and closings and the identity and EDWAA eligibility of recently laid-off workers. ES/UI coordination was useful in disseminating information about EDWAA to potentially eligible UI applicants and recipients.

Nearly two-thirds of the study states provided EDWAA 40% funds to the state ES/UI agency to support ES/UI staff participation in rapid response activities. In addition, rapid-response-related services were sometimes supported with Wagner-Peyser funds. In several states, EDWAA 40% funds were used to purchase additional services from the ES/UI system, including assistance in identifying long-term unemployed individuals, assistance in coordinating out-of-area job search and relocation assistance for EDWAA participants, and the provision of basic readjustment services and retraining referrals to dislocated workers. In several study sites, the ES/UI system took primary responsibility for intake, assessment, and providing basic readjustment services to dislocated workers, with the substate areas providing retraining to workers referred by the ES.

Coordination with TAA

At least two-thirds of the states and more than half of the substate areas had developed written nonfinancial agreements to link EDWAA and TAA. Despite the interest in coordinating EDWAA with TAA, coordination efforts had little effect on the services available to EDWAA participants in most states. Problems with EDWAA/TAA coordination included a lack of familiarity with TAA application requirements and program details by many EDWAA administrative staff members and delays in the certification of TAA petitions, which prevented effective coordination of services between the EDWAA and TAA resources.

Models for more active coordination of the two programs used by some study states included:

- Active state involvement in identifying potential TAA-eligible layoffs early and encouraging TAA petitions on behalf of affected workers as part of rapid response.
- The development of explicit client referral policies and/or joint individual service plans between the TAA and EDWAA systems.

- A tracking system to update TAA certifications and identify dislocated workers eligible for TAA benefits.

Coordination with Economic Development

Preventing Layoffs—Joint EDWAA/economic development agency efforts to avert layoffs were a goal in about two-thirds of the states visited. In most states, the EDWAA involvement was limited to sharing of information about planned layoffs. However, in three study states the EDWAA system played a more active role. In one state, EDWAA 40% funds supported economic development participation in rapid response. In two other states, EDWAA 40% funds were available for initiating prefeasibility studies of alternatives to closing plant operations. Despite these efforts, states found that plans for layoffs were usually too far along by the time WARN notices were received for layoff prevention efforts to be effective.

Layoff Prevention Through Retraining Existing Workers—Economic development funds were used in several states to retrain existing workers in businesses that needed to retool or upgrade old technology to prevent plant closures. In most cases, these retraining funds were not available to serve already dislocated workers. However, in four substate areas, state-funded economic development projects involved the expansion of existing workforces and created employment opportunities to which dislocated workers were sometimes referred.

Promoting Job Creation—State or substate EDWAA funds were used in some sites to support economic development projects designed to help new employers to move into the area or existing employers to expand. In most cases, this resulted both in expanded reemployment opportunities for dislocated workers and the achievement of economic development goals. In several instances, however, the economic development objectives and benefits to employers overshadowed the benefits to dislocated workers (e.g., when EDWAA funds were used to assist in creating jobs that paid substantially less than the jobs from which EDWAA participants had been dislocated).

Coordination with Education, Employment and Training, and Other Human Services Programs

Coordination with education, employment and training, and human services agencies occurred primarily at the local level. Coordinated delivery of retraining services to dislocated workers through financial and nonfinancial coordination agreements between substate grantees and public schools, community colleges, and public vocational technical schools enabled many

substate areas to provide expanded services for dislocated workers at low tuition levels that reflected the substantial existing taxpayer support of these educational providers. In several substate areas, state or federal vocational education funds supplemented EDWAA funds to enhance retraining services. In a number of substate areas, staff arranged for dislocated workers to apply for Pell grants and guaranteed student loans to help finance retraining.

Coordination between EDWAA and JTPA Title II-A was facilitated by collocation of most administrative functions for the two programs and partial or complete consolidation of the two service delivery systems for many substate areas. Nevertheless, the potential benefits from coordination between the two systems were indirect in most cases (e.g., in the form of reduced costs from greater economies of scale). Coenrollment was used by one substate area to make needs-related payments funded by Title II-A available to economically disadvantaged EDWAA participants.

Coordination with human services agencies was largely local and informal. At least a third of the substate areas made referrals to human services agencies for unmet client needs on an individual basis. Three study states had stronger policies linking EDWAA service delivery to the delivery of other human services. These states emphasized the use of child care, transportation, health, and other social service systems to address the broader needs of dislocated workers.

Factors Facilitating Coordination

Coordination mechanisms were stronger and better developed when states had a strong commitment to coordination, organizational relationships among different agencies were stable, EDWAA had well-defined goals in common with other agencies, and there was the ability to integrate service functions through collocation or coadministration.

EDWAA OPERATIONS

Rapid Response

The EDWAA legislation calls for states to implement a capacity to respond rapidly to permanent closures or substantial layoffs to assess the need for and arrange for the provision of initial basic readjustment services. Although the EDWAA legislation indicates that the state DWU is responsible for providing rapid response services in the event of permanent closures or substantial layoffs, we found that states varied in their roles vis-a-vis the substate areas. One

state delegated most rapid response responsibilities to its substate areas. If the substate area requested aid, the state staff would coach the substate staff in how to contact the employer, but state staff only occasionally attended initial employer meetings. In two other states, the DWU delegated full responsibility for rapid response to some substate areas after they had gained substantial experience in conducting rapid response. All but one of the remaining states provided rapid response to large-scale layoffs and closures but expected substate areas to respond to medium- and small-scale dislocations, usually defined as layoffs of fewer than 50 workers. Finally, one state responded to virtually all closures or layoffs.

Several states provided technical assistance to substate areas in rapid response procedures, often in the form of workshops to describe the state's rapid response procedures and the substate areas' roles in both large- and small-scale layoffs. In addition, a few states took more active steps by encouraging substate areas to plan responses to layoffs in their area.

Although most states were successful in distinguishing state and substate roles in rapid response, a few problems were identified. Five substate areas were confused about their role in rapid response, mostly because the state did not clearly communicate what the substate area was expected to do for smaller layoffs. Further, six substate areas that were responsible for responding to smaller-scale layoffs had not established any procedures to learn of these layoffs and had not provided any rapid response services to smaller-scale layoffs, despite serving moderately sized labor markets.

Although only states may charge expenditures to the rapid response cost category, many substate areas were providing substantial rapid response services, particularly for smaller-scale layoffs. These expenses were charged to either administrative or basic readjustment cost categories.

Linkages with WARN

Effective linkages between receipt of WARN notices and the EDWAA program are important to initiate both DWU rapid response activities and coordinated responses by others, including the substate area and related state and local agencies. All states in our sample had established procedures to respond to WARN notices, and in most states the DWU received WARN notices expeditiously.

However, the relationship between EDWAA and WARN had some weak links in a few sample states. In three states, substantial delays arose when WARN notices were sent to the governor's office. Many states reported that employers often gave less than 60 days notice. Several states were concerned that important layoffs were not covered by WARN, including large layoffs of less than one-third of the workforce, layoffs by government agencies, and smaller-scale layoffs. Despite these concerns, all states reported receiving voluntary notices from employers not covered by the WARN legislation. Some states and substate areas had taken specific steps to increase employer awareness of WARN requirements, including letters to employers from the governor, establishment of an 800 telephone number to answer employer questions and receive verbal notices, and local employer forums describing WARN and EDWAA services. Further, states and substate areas frequently supplemented WARN with information about layoffs and closures from other sources, including the media, UI system, and economic development agencies.

Rapid Response Activities

Initiating Rapid Response—Most states contacted the employer, usually by telephone and usually within a day of receiving a WARN notice, to clarify information in the WARN notice and schedule an on-site meeting. Most states also initiated a coordinated response on receipt of WARN notices by promptly notifying the appropriate substate areas and other state agencies, such as the ES and economic development. Five states, however, made coordinated response more difficult by not notifying substate areas until after the DWU had met with the employer.

On-Site Meetings with Employers—The rapid response design in all states called for on-site meetings with employers. States viewed the purposes of the employer meeting as (1) to arrange an orientation meeting with employees to explain EDWAA services (all states), and (2) to encourage labor-management cooperation (11 states). Four states indicated that employers were frequently unwilling to allow orientation meetings; the remainder emphasized the benefits to the employer as well as the employees and generally found employers cooperative. In cases when a meeting was not possible, the DWU generally tried to get a list of the affected workers from the employer and contact the workers directly. Most initial on-site meetings occurred within 1 to 2 weeks after notice of the layoff was received; only one state routinely met with employers within 48 hours. Most states indicated that employers were often not willing to meet so quickly and that it took longer to schedule the initial employer meeting when multiple agencies were involved.

Although only the DWU met with the employer in four states, the remainder usually involved substate areas, and seven states involved other agencies, including the ES, UI, and economic development. Only two states routinely included TAA staff in employer meetings. Because EDWAA staff are frequently not very knowledgeable about TAA and because TAA benefits enhance the ability of workers to participate in long-term training, early involvement with TAA staff in more states would probably enhance the effectiveness of EDWAA services.

Layoff Prevention—One of the purposes of rapid response is to avert layoffs, if possible. Nine states routinely notified the economic development agency when a WARN notice was received, and four often included economic development staff in the initial employer meeting. Virtually all states indicated that 60 days notice of a closing or layoff was not sufficient to prevent dislocations from occurring. Indeed, regardless of the amount of advance warning, successful prevention of layoffs was rare once the employer had decided a layoff was necessary. Only four states provided any examples of successful layoff prevention efforts, and only one could attribute the success to Title III efforts.

Orientation Meetings—The legislation indicates that a purpose of rapid response is to provide information on and facilitate access to available public programs and services. To accomplish this goal, all states conducted worker orientation meetings to provide information about EDWAA, ES, and UI services. In addition, workers could apply for UI services at orientation in seven states. Some states also provided some basic readjustment services during orientation meetings, including stress and financial counseling and job search assistance. Employee orientations were generally held within 2 weeks of the employer meeting.

Subsequent State Activities—The legislation indicates that states may use rapid response funds to assist the local community in developing its own coordinated response. After providing rapid response services, several states played a continuing role in providing prelayoff basic readjustment services (three states) and/or helping substate areas to plan appropriate services (five states). Three of these states also routinely followed up to see whether the substate encountered any problems in implementing planned services.

Basic Readjustment Services

Basic readjustment services are an important component of EDWAA services in two service contexts. First, in some study sites, basic readjustment services were provided to workers affected by particular layoffs, either as prelayoff services linked to rapid response activities or as part of the services available through plant-specific projects. Second, in all substate areas, basic readjustment services were provided as a general dislocated worker service.

Basic Readjustment Services for Workers Affected by Specific Layoffs

Rapid-Response-Linked Services—In about one-third of the substate areas studied, basic readjustment services were provided before a layoff as part of on-site rapid response activities. Nine substate areas routinely provided such services; two additional sites provided prelayoff services only when labor-management committees were formed. In all but one case, the same organization provided both rapid response activities and prelayoff services. In nearly two-thirds of the sites where prelayoff services were provided, the state was responsible both for rapid response and for basic readjustment services. In one-third of the sites, substate areas provided both rapid response and the resulting basic readjustment services. States generally charged prelayoff basic readjustment services to the rapid response category, while substate areas charged them to the basic readjustment cost category when services were provided by the substate area.

Prelayoff basic readjustment services usually consisted of a series of group workshops, including a job search workshop and, in four substate areas, stress and financial counseling workshops. Three substate areas also offered prelayoff training to affected workers in basic skills remediation and ESL. Employers usually contributed to prelayoff services by providing space and sometimes work-release time for employee participation in on-site services. In three substate areas, employers often hired their own outplacement counselors to supplement services available from the EDWAA system.

Services Provided by Plant-Specific Projects—In some cases, rapid response activities resulted in the establishment of plant-specific projects. Typically, these projects provided basic readjustment services both before and after the layoff occurred through ongoing resource centers established either on-site or at nearby locations.

General Basic Readjustment Services

Basic readjustment services offered as part of the general dislocated worker services administered by substate areas included services usually provided before enrollment, including outreach and assessment, and services generally provided after enrollment, including job search assistance, counseling, and relocation assistance.

About one-fourth of the substate areas studied did not offer any stand-alone basic readjustment services to dislocated workers not also receiving training. Several respondents in these substate areas indicated that dislocated workers did not need basic readjustment services because they were already job ready. Of the 22 substate areas that offered general basic readjustment services to dislocated workers as a stand-alone service option, over one-half integrated the delivery of EDWAA basic readjustment services with the delivery of services to Title II-A clients. Substate respondents from these local areas often felt that the basic readjustment service needs of dislocated workers and the economically disadvantaged were similar. The remaining substate areas offered EDWAA basic readjustment services that were distinct from Title II-A services. Respondents in these substate areas indicated that it was essential for EDWAA service providers to understand the special emotional needs of dislocated workers and their reluctance to accept jobs at wages substantially lower than their previous wages.

Outreach—Substate areas recruited dislocated workers using three mechanisms: rapid response linkages, referrals from the ES/UI system, and general community outreach. Of the 15 areas experiencing moderate to high levels of dislocation, 9 recruited through rapid response activities, but 6 substate areas did not. These six substate areas made presentations at rapid response orientations but left it up to individual workers to apply for substate EDWAA services. Most substate areas used referral linkages with the ES/UI system to reach dislocated workers. All but two substate areas also used general media to reach dislocated workers.

Assessment—Assessment procedures varied widely. Ten substate areas conducted only informal assessment; the remainder conducted more extensive assessment of vocational interests and aptitudes. At least 12 substate areas assessed the transferability of workers' existing skills to new occupations. Although many substate respondents perceived the value of additional assessment, they were struggling to develop procedures appropriate for dislocated workers.

Enrollment and Case Management Services—Most substate areas enrolled recipients of basic readjustment services after the initial assessment, as specified by the reporting instructions. Three substate areas, however, never even enrolled participants who received extensive basic readjustment services unless they also received retraining. About one-third of the substate areas used case management to monitor participants' progress.

Job Search Assistance—All substate areas that provided postenrollment basic readjustment services to dislocated workers offered job search assistance, usually through group workshops. Several respondents indicated that dislocated workers particularly needed instruction in job search skills because they often had not looked for work in a long time and because job search techniques have changed in recent years.

Stress and Financial Counseling—Only four of the substate areas studied provided stress and financial counseling services as postenrollment services to dislocated workers enrolled in their general dislocated worker programs. Several additional substate areas indicated that they were exploring ways to offer such services.

Relocation Assistance—Only five substate areas planned to offer relocation assistance as a regular part of their package of services for dislocated workers. Procedures for providing such services were not well developed, however, and some substate areas indicated confusion about how to plan for this service.

Retraining Services

Most EDWAA-funded retraining services in the sample sites were provided through general service systems for dislocated workers administered by the substate areas. Special plant-specific projects initiated by states or substate areas provided additional retraining opportunities to workers affected by specific dislocations.

General Retraining Services

In all but one study site, general dislocated worker service systems offered a choice between classroom training in occupational skills and on-the-job training (OJT). In many substate areas, classroom training was more popular with dislocated workers than OJT, because it was perceived as offering better opportunities for reemployment at high wages.

Design and Delivery of Classroom Training Services—Half the substate areas integrated EDWAA and Title II-A classroom training services, while the remainder used different service providers or separate contracts for EDWAA participants. Classroom training was highly decentralized in most substate areas, with a number of public and proprietary training institutions offering a variety of occupational training curricula from which dislocated workers could choose.

Community colleges and vocational technical schools were the most common providers because they offered a wide variety at low cost. However, problems with these providers included the inflexibility of class schedules and the generally long duration of vocational curricula. Proprietary schools generally offered shorter and more intensive curricula. Additional classroom training providers included community-based organizations and the substate areas themselves.

More than half the substate areas studied offered occupational training exclusively through individual referral of dislocated workers. In contrast, five substate areas offered occupational training only through specific class-size contracts for a limited number of vocational curricula. The remainder offered both class-size programs and individual referrals.

Most substate areas referred dislocated workers with basic skills deficiencies to appropriate providers. Basic skills instruction was provided by vocational schools or community colleges, which provided for remedial training in conjunction with occupational skills training; by community institutions that offered free basic education, GED, or ESL training; and by EDWAA-funded service providers that offered stand-alone basic skills training.

Design and Delivery of OJT—Most substate areas wrote OJT contracts of short (less than 13 weeks) or moderate (13 to 26 weeks) duration. In some substate areas, OJT assignments were designed to meet participants' needs by locating high-quality jobs and providing needed training to the dislocated workers. In these substate areas, OJT occupations and employers were carefully screened, and OJT contracts sometimes specified what skills the trainee would learn. However, in a number of other substate areas, the OJT positions provided with EDWAA funds appeared to be oriented more to furthering economic development goals and meeting the needs of local employers than to providing training to prepare EDWAA enrollees for high-quality jobs.

Retraining Through Plant-Specific Projects

Only seven substate areas in the study sample had established plant-specific projects by the time of our site visits; we also obtained information about seven other projects established by other local areas within the sample states. Six of the 14 plant-specific projects studied had tailored one or more classroom training curricula to the needs of the workers laid off from a plant. Most of the remainder made individual referrals to local providers, while several relied on OJT. Most plant-specific projects helped participants to enter retraining by providing extra counseling about training options in the community and/or earmarking EDWAA funds for workers laid off from that plant. Prelayoff occupational skills retraining was rare but occasionally quite successful. In one case, all but one worker found new jobs before the layoff date.

CONCLUSIONS

Progress in Furthering the Priority Goals of the EDWAA Legislation

The EDWAA implementation experience during PY 89 demonstrated substantial progress in furthering many of the goals of the EDWAA legislation. The following discussion summarizes the progress made in each of the seven priority themes of the legislation and points out some emerging problems for consideration by DOL and the states.

Building a Substate Delivery System

A substate delivery system was created that has the administrative capacity to expend EDWAA funds in a timely fashion with appropriate attention to fiscal accountability issues. The use, by most states, of Title II-A service delivery areas as the substate administrative entities for EDWAA greatly eased the initial transition from Title III to EDWAA because SDAs had a demonstrated capacity to design and administer employment and training services, although for economically disadvantaged individuals.

However, the selection of SDAs as the substate grantees for EDWAA may have impeded the emergence of strong state leadership in developing and overseeing the delivery of effective local service designs for dislocated workers. In general, states deferred to substate discretion rather than implementing statewide client targeting priorities for EDWAA or developing a consistent package of services for dislocated workers. Instead, many states maintained an area of state authority by retaining direct control over the design and administration of 40%-funded projects, further fragmenting EDWAA service delivery systems in local areas. The general

pattern seems to be that states and substate areas have established their own separate and distinct areas of EDWAA program authority, rather than forming an integrated system of services to dislocated workers.

The division between state and substate area roles and responsibilities in EDWAA implementation has created some potential problems, including:

- A weak linkage in many local sites between rapid response (usually administered by state staff or contractors) and the delivery of early intervention services for dislocated workers (assumed in many states to be the responsibility of substate areas).
- The absence of clear state policies on how to prioritize among eligible dislocated workers and how to put the EDWAA eligibility criteria into practice.
- The absence of any consensus about what services dislocated workers need and how best to organize and deliver them.
- A frequent lack of coordination between services offered through special plant-specific projects and services available to other dislocated workers in the same local area.

Improving Program Accountability

All states emphasized fiscal accountability procedures during PY 89 to ensure that the federally mandated 80% expenditure levels would be achieved. As a result, most study states indicated that they would meet the 80% expenditure requirement for PY 89. States that experienced difficulty spending funds in a timely fashion generally attributed this to substate inexperience in recruiting and serving dislocated workers, rather than to inadequate accountability mechanisms.

Programmatic accountability received less emphasis at the state level during the first year of EDWAA implementation. Although several states were considering offering incentive awards for good performance on the performance standard in future years, no incentive awards were offered (and no sanctions threatened) by the study states in PY 89. In the absence of incentive awards and sanctions, performance standards for EDWAA were not given much attention.

The study states generally permitted substantial substate discretion in the selection of target populations and the design and operation of client services. Few states developed detailed criteria for review and approval of substate area plans for EDWAA, and most approved substate area plans with few, if any, changes. State technical assistance to substate areas and program monitoring activities focused more on program compliance and procedural issues than on the effectiveness of the available services for the targeted dislocated worker population.

Implementing Rapid Response

For the most part, states made conscientious efforts to implement the legislative requirements for providing rapid response. Most states designed procedures to receive WARN notices expeditiously and felt that the WARN legislation increased their knowledge of dislocations and increased their ability to respond rapidly to these events.

After learning of layoffs, states generally contacted employers by telephone within 48 hours, but on-site meetings usually occurred later, typically 1 to 2 weeks after receipt of the WARN notice. Layoff prevention efforts were the least successful rapid response activity. Virtually all states and substate areas indicated that the 60-day notice required by WARN was not sufficient to prevent a layoff. Indeed, even in states with active economic development agencies, successful efforts to prevent a layoff were rare once the employer had decided it was necessary.

However, the main focus of rapid response activities was on providing dislocated workers with information about EDWAA and related programs through on-site orientation meetings. A few states encountered frequent employer resistance to holding orientation meetings; in these states, many affected workers were not informed about community resources.

During the first program year, states and substate areas directed most of their efforts toward establishing the *mechanisms* for providing rapid response. Less attention was given to *what the rapid response was intended to achieve*. Informing workers about EDWAA and related community services is a valuable objective. However, rapid response can also lead to early assessment of the needs of affected workers, giving the EDWAA program time to arrange for appropriate services and early intervention, such as prelayoff basic readjustment services and early recruitment into the ongoing EDWAA programs. These latter objectives of rapid response were less widely achieved.

One reason that rapid response did not commonly lead to early intervention services may be the legislated division of responsibilities. In most states, the state led rapid response efforts, and substate areas were responsible for subsequent services. However, in eight of the nine cases where prelayoff basic readjustment services were provided, the same agency was responsible for both rapid response and prelayoff services. It seems that many substate areas saw their role as operating ongoing dislocated worker programs and saw the state's role as providing rapid response activities. That common view left unassigned the task of providing early intervention services to dislocated workers.

Encouraging Labor-Management Cooperation

The EDWAA legislation encouraged the use of labor-management committees as a more effective use of public and private resources to respond to the needs of workers affected by large-scale layoffs or plant closures. In practice, several states found the investment in formal labor-management committees to be worth the perceived benefits: reaching large numbers of affected workers and giving both management and dislocated workers a sense of "ownership" of the services designed to meet the needs of a particular layoff.

Labor-management committees were used in two different settings: rapid-response-linked committees that were oriented to designing prelayoff services for specific plant closures or large-scale layoffs, and project-linked committees that were involved in the design and administration of plant-specific service projects that continued after the layoff date. Informal committees were also used in a variety of settings to help service providers assess workers' needs and design appropriate prelayoff services.

Other states found the promotion of labor-management committees to be too time-consuming, unproductive, or inconsistent with the local employer attitudes. Several states developed alternative organizational mechanisms to promote the goals of labor-management cooperation. These included: (1) the formation of broader community task forces with both labor and management participation to assist in service planning for large layoffs and (2) encouraging separate contributions by labor and management representatives to help fund, design, or operate services for plant-specific projects.

Most states and substate areas responded to the federal objective of encouraging labor-management cooperation in appropriate and creative ways. However, some states appeared to be halfheartedly going through the motions of encouraging labor-management committees without

understanding that the objectives of labor-management cooperation were more important than any particular organizational format.

Promoting Coordination of Funds and Services

EDWAA coordination linkages at the state and substate levels with the ES/UI system, TAA, economic development agencies, and other social service programs generally supported EDWAA program goals by: (1) providing information about local dislocation and the eligibility of individual dislocated workers, (2) providing referrals of dislocated workers to the EDWAA system, and (3) providing services to dislocated workers through financial and nonfinancial interagency agreements.

Several barriers to successful coordination were identified for specific programs. First, coordination efforts between EDWAA and the TAA program were often hindered by the complexity of TAA and delays in receiving TAA certification. Improved training about TAA operations for EDWAA staff and active efforts to develop coordinated service plans for individuals eligible for both programs were effective coordination strategies in several states. Second, coordination between EDWAA rapid response efforts and layoff prevention efforts by economic development agencies were hampered by the short time frame for advance notice of layoffs set forth in the WARN legislation.

Coordination benefited EDWAA participants where the goals of the two coordinating agencies or funding streams were similar or compatible. Coordination was less beneficial where there were evident or unacknowledged conflicts between the goals of the two agencies. In particular, coordination between EDWAA and economic development agencies sometimes had questionable outcomes for individual dislocated workers when the primary goal of coordination was to serve the interests of new employers (e.g., for skilled workers at a low cost) rather than to enhance the reemployment opportunities for dislocated workers.

The extensive integration of EDWAA and the JTPA Title II-A service delivery system in many substate areas clearly increased the administrative efficiency of EDWAA services by avoiding unnecessary duplication. It is less clear that integration of the Title II-A and EDWAA service delivery systems in a number of SDAs always furthered the goal of providing services responsive to the needs of dislocated workers, particularly in local sites where the two programs serve participants whose characteristics and service needs differ.

Serving a Broad Range of Dislocated Workers

To serve a broad range of dislocated workers, the funds received by states and substate areas were adequate for the needs of the dislocated worker population. Only 4 of the 15 states studied had inadequate funds. These states generally had high levels of dislocation, although some had relatively low unemployment rates.

About one-third of the substate areas had resources that fell far short of meeting local needs. These substate areas either experienced very high levels of dislocation or received very small grants ($50,000 or less). Whether substate areas' funds matched local needs was highly correlated with the extent to which the state based substate allocations on the number of plant closings or major layoffs. In particular, most of the substate areas with inadequate funds were in states that placed a zero or low weight on the number of dislocations in their allocation formulas. EDWAA legislation authorizes the Secretary to develop data on the number of dislocated workers and dislocations. The results of this study point out the importance of such data in distributing EDWAA funds to match the needs of dislocated workers.

Generally, substate areas were serving the type of dislocated workers prevalent in their community: most substate areas experiencing high rates of plant closures or layoffs were serving recently laid-off workers; most substate areas experiencing few recent dislocations were serving long-term unemployed individuals. Five substate areas, however, experienced at least moderate levels of recent dislocations, but were serving long-term unemployed individuals who were similar to the Title II-A clients these programs were accustomed to serving. These substate areas typically used the same outreach procedures for EDWAA and Title II-A clients and rarely recruited from rapid response efforts. In these cases, the goal of serving a broad range of dislocated workers has yet to be achieved.

Some substate areas were confused about what types of workers should receive priority for EDWAA services. Several were uncertain whether to target individuals most in need or whether to serve relatively well-off dislocated workers. Confusion also arose because some states and substate areas were closely linking EDWAA eligibility requirements to WARN definitions and requirements. For example, some substate areas were not serving temporary workers dislocated by substantial layoffs because WARN notices are not required for layoffs of temporary workers. Federal or state clarification of these targeting issues would help substate areas to serve appropriate types of dislocated workers.

Promoting Long-Term Training

The EDWAA legislation emphasized the importance of retraining services in two ways: it required substate areas to spend 50% of their funds on retraining, and it encouraged states to provide incentives for longer-term training. Both requirements were intended to ensure that EDWAA services would be intensive enough to promote reemployment in stable jobs that replaced as high a percentage as possible of the worker's previous wage.

The 50% retraining expenditure requirement was enthusiastically received in most states. Meeting this requirement was not a problem for about two-thirds of the substate areas studied. However, about one-third of the substate areas said that this requirement had caused them to shift their EDWAA service package away from an optimal mix of basic readjustment services, retraining, and supportive services.

Our case studies provide suggestive evidence that some substate areas may be emphasizing retraining to the exclusion of needed basic readjustment services under the influence of several factors, including the 50% retraining requirement. In some of the substates studied, post-enrollment basic readjustment services are not offered except as part of a retraining plan. In several substate areas, only those participants receiving retraining are officially enrolled in EDWAA.

Although most states and substate areas supported the federal goal of providing long-term training, several respondents emphasized the importance of offering a diversity of retraining options to accommodate the diverse needs of dislocated workers, ranging from shorter-term training for skills upgrading, skills transfer, or basic skills remediation to longer-term retraining for a totally new occupation. Given the general lack of needs-related payments for dislocated workers under EDWAA, states and substate areas are still struggling with ways to design retraining plans that will enable dislocated workers to support themselves during longer-term training. Under these circumstances, short-term intensive training programs lasting 3 to 6 months have some clear advantages over the longer-term (1- to 2-year) educational programs offered by many public educational institutions.

Recommendations

Overall, the states and substate areas studied made considerable progress in furthering the objectives of the EDWAA legislation during PY 89. We, however, recommend changes in three major areas to give dislocated worker programs a clearer focus and direction and promote greater coordination between state and substate area programs.

Pay Greater Attention to the Objectives of EDWAA—Rather than concentrating on the formal mechanisms encouraged by the EDWAA legislation (e.g., labor-management committees, formal coordination agreements, procedures for employer meetings under rapid response), EDWAA administrators and service providers should pay more attention to the objectives these mechanisms are designed to further. For example, in implementing rapid response activities, states and substate areas should pay more attention to the fact that the goal of rapid response is to encourage early intervention and increased service delivery to workers affected by large-scale layoffs. Similarly, in the design of labor-management coordination mechanisms, the focus should be on realizing the benefits of reduced labor-management tensions and the design of responsive services. In the planning and implementation of program coordination, the conscious objective should be improving the range and availability of services responsive to dislocated workers' needs.

Work to Develop a Coordinated State and Substate Area Dislocated Worker Program—Because we found that states and substate areas each seemed to be carving out their own separate areas of authority under EDWAA rather than working together to produce a coherent statewide system, we recommend that greater efforts be made to created a coordinated EDWAA program in each state. Among the elements that could benefit are the linkages between rapid response and recruitment/provision of early intervention services to dislocated workers and the coordination between plant-specific projects and ongoing general dislocated worker service systems in local areas. The objective of greater integration is to strengthen the ability of the service system to achieve early intervention objectives and to make the service delivery process appear more "seamless" to dislocated workers in search of assistance from the EDWAA system.

Develop Clear Strategies for Targeting Dislocated Workers and Disseminate Effective Service Designs—Finally, more effort is required to determine the needs of dislocated workers and develop or adopt services appropriate to those needs. Some substate areas have been very active in developing service delivery systems to address the specific needs of dislocated workers. Other substate areas appear to lack information about dislocated worker needs and appropriate program designs. Because both states and substate areas appeared to be developing program options in isolation, we recommend greater sharing of program models both within and across states.

SECTION A
INTRODUCTION AND STUDY DESIGN

I INTRODUCTION

OVERVIEW

This report summarizes the findings from the first phase of a 3-year study of the implementation of the Economic Dislocation and Worker Adjustment Assistance (EDWAA) Act, based on the implementation experiences of 15 states and 30 substate areas during Program Year 1989 (PY 89).

The first phase of this evaluation has been formative, rather than summative, in its investigation of the EDWAA implementation experience during the initial year of EDWAA operations. Important objectives of this report are: to provide a detailed description of the emerging patterns of EDWAA program design, administration, and service delivery across the nation, at both the state and substate levels; to indicate aspects of EDWAA that are working as intended as well as those that are not; and to identify factors, particularly state or federal policies, that enhance or impede effective implementation. We have identified seven priority themes of the EDWAA legislation, and this report analyzes the extent to which state and substate program design and implementation practices have furthered these seven national EDWAA policy goals.

The study has also been designed to provide the U.S. Department of Labor (DOL) with timely information about key EDWAA implementation issues throughout the year to assist DOL in assuming a leadership role in guiding the development of services for dislocated workers. Thus, during the study period, several interim reports were prepared on topics of special interest. This final report encompasses the information contained in the interim reports to DOL and updates the interim findings by including results from all 15 states and 30 substate areas studied.

The final report is also intended to promote information exchange among EDWAA administrators and service providers throughout the United States. We hope to stimulate a dialogue among federal, state, and substate actors about how to ensure that EDWAA funds are used with a clear sense of purpose to provide services that effectively address the reemployment barriers faced by dislocated workers, whose characteristics and needs vary widely across states and across substate areas.

BACKGROUND AND THEMES OF THE EDWAA LEGISLATION

History of Dislocated Worker Program Under Title III

Title III of JTPA, which became law in 1982, was the first federally funded program designed explicitly to meet the specific employment and training needs of the broad range of dislocated workers. Before the passage of JTPA, DOL funded a few demonstration programs that were forerunners of Title III, and some other programs provided employment and training services to limited subgroups of dislocated workers. However, these programs were small relative to Title III. Other programs, such as Unemployment Insurance (UI) and the Employment Service (ES), serve a broad group of unemployed workers but are not explicitly focused on the unique problems of dislocated workers.

The design of the original Title III legislation was influenced by three factors. First, there was a lack of knowledge of how best to structure dislocated worker programs because of the relatively little experience with programs designed to assist such workers. Second, the dislocated worker problem was perceived as a series of specific events, such as plant closures, that would require individualized responses. Third, the advent of the new federalism suggested that responsibility and authority for program operations be left to the states and local areas as much as possible. As a result, the Title III legislation created a relatively unstructured program, with the design of an administrative structure and delivery system left almost entirely to the discretion of the states.

There were, however, a number of perceived problems with the implementation of the initial Title III programs. These problems included:

- Underexpenditure of available funds in the face of need.
- Service to only a small percentage of dislocated workers.
- Overemphasis on job search assistance and short-term training relative to longer-term retraining.
- The lack of capacity to provide rapid response to specific dislocations in many states.
- The unintended effects of the requirement for matching funds on the types of services provided and the types of dislocated workers served, without the intended effect of providing additional resources for service to dislocated workers.

In response to these problems in implementing Title III, the Secretary of Labor's Task Force on Economic Adjustment and Worker Dislocation studied the dislocated worker problem and examined approaches used by other countries to serve dislocated workers. On the basis of this review, and drawing substantially from the Canadian experience, the Task Force recommended "initiating a new national public effort...to provide an early and rapid response to the needs of workers permanently displaced from employment. Under this proposal, JTPA Title III would be replaced by a new federally suppotted and guided structure providing for state-administered training and reemployment assistance to meet the needs of all displaced workers." Among the key features of the Task Force's proposal were:

- Expanded funding, with 80% to be distributed to the states by a formula that would incorporate state-specific plant closing and mass layoff data.
- A revised organizational structure with distinct dislocated worker units at both the federal and state levels.
- Rapid response to plant closings and the provision of plant-specific adjustment assistance, with a strong emphasis on the establishment of employer-worker committees to coordinate the delivery of services.
- Provision of labor market services (testing and assessment, counseling, and job search instruction) to all eligible dislocated workers.
- Availability of training services, including both basic skills training and occupational skills training, with emphasis on longer-term training.
- Enabling workers to participate in long-term classroom training by providing income support after exhaustion of UI benefits and encouraging earlier enrollment in training programs.

Themes of the EDWAA Legislation

These basic goals, as well as many of the Task Force's specific recommendations, were incorporated into the EDWAA legislation. The provisions of this legislation reflected seven major program priorities or themes that comprise the new federal goals for the design and operation of dislocated worker services. These seven priorities include:

(1) Building the capacity of substate entities to plan and administer dislocated worker services.

(2) Improving resource management practices and program accountability for services and outcomes.

(3) Ensuring a capacity for rapid response to notifications of impending plant closures and large-scale layoffs.

(4) Promoting labor-management cooperation in designing and implementing services to dislocated workers.

(5) Ensuring coordination between EDWAA resources and other federal, state, and local funding sources that can be used to help provide effective services to dislocated workers.

(6) Extending program coverage to broad segments of the eligible dislocated worker population.

(7) Encouraging states and substate areas to take a long-term view of worker readjustment, including offering opportunities for meaningful retraining and implementing long-term reemployment plans, where appropriate.

Below, we briefly discuss each of these program themes or goals.

implementing a Sub-state Delivery System

Under the previous Title III program, states used a variety of organizational structures to administer services to dislocated workers, ranging from operating all programs at the state level to allocating all dislocated worker funds to local service delivery areas (SDAs). The procedure used to allocate funds to local areas also varied, including both formula approaches and discretionary grants made in response to specific proposals. Implementation of the EDWAA legislation has imposed a dual structure of program administration, with some services provided or funded directly by the state and others provided by a mandated substate delivery system. The legislation also has requited greater standardization of the process by which funds ate allocated to substate areas (SSAs).

The goal of the EDWAA legislative changes was to set an administrative and planning vehicle in place in each local area that would be. responsible for planning and delivery of services for dislocated workers. Thus, particular entities were to be designated in each local area as the Tide III grant recipients. Among the potential benefits of mquiring the decentralization of EDWAA planning and service delivery are the following:

- Greater equity of resource allocation.

- Improved ability to assess and respond to local needs.
- Improved ability to coordinate with local retraining services available from other sources.
- Improved ability to expend allocated funds.

The transition to a decentralized substate system was expected to be easier for states that already had developed decentralized service delivery structures under Title III and more difficult for states that had developed incompatible Title III structures. Another challenge associated with the implementation of a decentralized substate structure under EDWAA is the need to create effective linkages between rapid response activities, administered at the state level, and service response to large-scale layoffs, often administered at the local level. In addition, if too many small substate areas are created, there is a danger that EDWAA funds available to each SSA will be insufficient to undertake an effective program.

The first phase of the EDWAA implementation study examined the experiences of 1.5 states in creating a substate delivery system for dislocated worker services. This final report addresses the extent to which the state and substate organizational structures that have emerged under EDWAA have realized the potential benefits mentioned above and avoided the potential problems associated with the creation of a dual state and substate structure for EDWAA.

Improving Program Accountability

The EDWAA legislation contains several changes to overcome weaknesses in the previous Title III program in the area of resource management. The first change was the elimination of the requirement for a local match for formula Title III expenditures. It was generally agreed that this requirement did not substantially increase the resources available to the program. EDWAA also addresses a persistent problem with Title III of underexpenditures-the fact that actual expenditures lagged substantially behind available funding levels-by providing greater predictability about substate funding availability and requiring substate entities to develop annual plans and budgets for spending program resources in each local area. The legislation also requires that each state spend at least 80% of its annual allocation during the year in which the funds are received, with a federal recapture of unspent funds in excess of 20%.

The EDWAA legislation also gives the states major responsibilities in the area of accountability for program clients, services, and outcomes. The state dislocated worker unit

(DWU) is to be responsible for preparing a statewide EDWAA plan and for reviewing substate plans. The state is also given the role of operating a monitoring, reporting, and management system to provide an adequate information base for effective program management, review, and evaluation. In addition to submitting required state and substate reports to the federal government, states are also responsible for administering a substate performance standards system.

The first phase of the EDWAA implementation study examined the extent to which the required accountability features of the EDWAA program have been implemented. We explored how the required 80% expenditure rate has affected program design and operational practices and described the influence of the states in their roles of overseeing program accountability.

Ensuring a Rapid Response Capacity

One of the most difficult organizational questions in the design of a national program for dislocated workers has been how to institutionalize the ability to respond immediately to announcements of new plant closures and layoffs while still carrying out an ongoing program with a planned set of activities and budget commitments. The EDWAA legislation includes a strong emphasis on creating and maintaining an emergency response capability, with the key role played at the state level through the required creation of a state-level DWU.

The central design feature of the rapid response capability envisioned by the EDWAA legislation is the state ability to provide rapid response teams and technical assistance to local areas to assist them in responding to notifications of impending plant closures or layoffs. Among the roles to be played by the emergency response team are:

- Establishing on-site contact with employer and worker representatives, preferably within 48 hours, to provide information on public programs and services and to provide emergency assistance to affected workers.
- Assessing whether the plant closure or layoff can be prevented.
- Promoting the formation of a labor-management committee to begin planning a public-private response to the plant closure or layoff.
- Assisting the local community to develop a coordinated response.

This final report describes the different ways in which the 15 study states and 30 substate areas have implemented a capacity for rapid response to large-scale layoffs and plant closures and describes how rapid response efforts are linked to the provision of emergency services to affected workers.

Labor-Management Cooperation

Another priority of the EDWAA legislation is to promote increased participation in the planning of dislocated worker services by worker representatives and to encourage and support joint labor-management planning in advance of plant closures and substantial layoffs. The participation of labor representatives is intended to make services more appropriate to workers' needs, to reassure the affected workers that their ideas and interests have been considered, and to give workers a greater feeling of power and "ownership" of the available services, leading to a higher participation rate.

The EDWAA legislation attempts to promote a particular model for labor-management coordination in the early response phase of dislocated worker program planning and design—the joint labor-management committee. Based on a similar model used by the Industrial Adjustment Program of Canada, joint labor-management committees, or workforce reduction committees, are voluntary ad hoc committees with a neutral chair and equal representation from employees and management. State DWUs are encouraged to support the development of labor-management committees with staff support, technical assistance, and a financial contribution toward the costs of committee operations.

This report explores the various mechanisms that were used in different states and substate areas to promote labor-management cooperation and assesses the extent to which these mechanisms have strengthened the planning and delivery of services to dislocated workers. It also summarizes the extent to which states have used the Canadian model for labor-management committees and describes alternative organizational structures that have been used to promote cooperative involvement by labor and management representatives in the design and delivery of EDWAA services.

Coordination with Different Funding Sources

Coordination of EDWAA activities and services with different funding streams is a goal throughout the EDWAA legislation. Several types of coordination are considered important.

First, the legislation calls for the EDWAA service system to be coordinated with other public and private programs specifically designed to address the problems of dislocated workers. These include programs funded by the Trade Adjustment Assistance (TAA) program, state-funded programs for dislocated workers, and efforts initiated with private funds. Second, the legislation calls for information exchange and coordination of programs between EDWAA and the state Employment Service (ES) and Unemployment Insurance (UI) systems. Third, EDWAA calls for coordination between rapid response activities and economic development efforts to avert plant closings and mass layoffs. Finally, the legislation calls for coordination between EDWAA and state education, training, and social service programs to leverage funds for additional services for dislocated workers.

This final report of the EDWAA implementation study examines the types of cooperative linkages that were established at the state and substate levels in the 15 states and 30 substate areas included in the study and explores the extent to which these cooperative linkages improved the effectiveness or increased the scope of the services available to dislocated workers.

Serving a Broad Range of Dislocated Workers

As part of the emphasis on reaching dislocated workers early in the dislocation process, the EDWAA legislation also emphasizes reaching and serving a substantial proportion of all eligible dislocated workers. In planning for EDWAA, the Secretary of Labor's Task Force on Economic Adjustment and Worker Dislocation called for sufficient funds to reach an estimated 535,000 participants per year, or roughly 45% of all eligible dislocated workers. This constituted a significant increase over the volume of participants actually served in the initial Title III program.

The initial budget authorization for EDWAA set funding levels at $980 million for PY 89, a substantial increase in funds over previous levels, and a level that would have been sufficient to support broad coverage of services to the eligible population. Actual budget appropriations for PY 89 totaled less than half this amount but were still a substantial increase in funding over Title III levels.

The program goal of reaching a substantial proportion of all dislocated workers is also supported by the EDWAA emphasis on rapid response and early recruitment of dislocated workers, by the initiation of a statewide system of service delivery under EDWAA, and by the broad eligibility categories established in the legislation.

To assess the extent to which states and substate areas have succeeded in furthering this program goal, this report examines client targeting policies, program recruitment and enrollment practices, and numbers of participants served in the 15 states and 30 substate areas included in the study. It also discusses the extent to which PY 89 funding levels were felt to be adequate by administrators at the state and substate levels.

Promoting Long-Term Training

For a substantial proportion of the workers displaced by plant closures or large-scale layoffs or forced out of declining industries or occupations, basic readjustment services are not sufficient to enable individuals to locate stable reemployment. Many dislocated workers need not only occupational retraining but basic educational skills and literacy training. Thus, the EDWAA legislation emphasizes the importance of offering retraining when needed to prepare dislocated workers for jobs with long-term potential.

In emphasizing the importance of retraining as an important element of EDWAA services, the legislation requires that 50% of each substate area's expenditures be used for retraining services, including training in basic skills and remedial education, literacy and English language skills, occupational skills training, on-the-job training (OJT), out-of-area job search, relocation, and entrepreneurial training. Waivers from this requirement are possible only if the substate area can demonstrate that it is preparing individuals for occupations with long-term potential, using criteria designated by the governor.

Additional features of the EDWAA legislation also reinforce the emphasis on a long-term view of worker readjustment. One such provision permits up to 25% of state and substate expenditures to be used for supportive services and needs-related payments, which can provide income support to those participating in education or retraining. Another provision of the legislation encourages states to provide "incentives to provide training of greater duration for those who require it."

To address the extent to which this goal of the EDWAA legislation has been furthered, this report examines how states and substate areas responded to the 50% retraining expenditure requirement and how they interpreted the federal policies encouraging the provision of longer-term retraining. It also reviews the types of retraining offered at the substate level, the extent to which needs-related payments are used to encourage participants to enter longer-term training,

and the extent to which EDWAA service systems are responsive to the retraining needs of the dislocated workers they are targeting for services.

GOALS OF THE STUDY

The first phase of the EDWAA implementation study was designed to accomplish several goals. These ranged from the descriptive to the analytic and policy oriented and are briefly described below.

Descriptive Goals

One of the objectives of the study is to provide a clear description of the variations in the program organizational structures and operational procedures that have emerged under EDWAA. The descriptive goals of the study include:

- To describe the implementation of rapid response, labor-management cooperation, and mechanisms and practices to promote coordination with other service systems.
- To describe program administrative structures and management practices at the state and substate levels.
- To describe the variations that have emerged in client priorities, design of program services, service provider arrangements, and the types of basic readjustment and retraining services provided to dislocated workers.

Analytic Goals

A second objective of the iirst phase of this study was to analyze. the extent to which the policies, organizational structures, and practices used during the first year of EDWAA operation have furthered the objectives of the legislation. The analytic goals of the study include:

- To assess the extent to which EDWAA implementation practices furthered the objectives of the legislation.
- To assess the extent to which EDWAA implementation practices led to the delivery of appropriate services to dislocated workers.

- To identify the factors that influenced state and substate practices, including federal policies and regulations, state policies and technical assistance efforts, local economic conditions, and local program priorities.

Policy Goals

The third objective of this study is to provide information to DOL and other EDWAA policymakers and practitioners that will enable them to provide strong national, state, and local leadership to the program to ensure that it is able to achieve the goals of the EDWAA legislation. The policy goals of the study include:

- To suggest ways that DOL could provide improved national program guidance through clarification of federal policies and regulations, increased technical assistance, or identification and dissemination of effective program models and practices.

- To identify actions that could be taken at the state or substate level to address identified program weaknesses or problems and to further the goals of the legislation.

ORGANIZATION OF THE FINAL REPORT

The first section of this report provides an overview of the issues addressed by this study and the design of our approach to addressing these issues. Chapter I has provided an introduction to the themes of the EDWAA legislation and described the objectives of the first phase of the EDWAA implementation study. Chapter II describes the methods used to conduct the study, including a description of sampling strategies and methods and case study data collection and analysis techniques.

Section B of the report describes the design of EDWAA programs at the state and substate levels during the first year of EDWAA implementation. In Chapter III, we describe the organizational patterns, program design features, and administrative practices used by states in creating and managing a statewide system for the delivery of services to dislocated workers. Policy issues associated with the state role in influencing EDWAA client priorities, service designs, and managing the flow of funds to substate areas are also covered in this chapter. Chapter IV includes a description of key organizational and program design issues regarding the development of substate EDWAA programs, including substate client targeting practices and

service priorities, practices in the selection and monitoring of service providers, and the adequacy of program funding at the substate level.

Chapter V describes aspects of EDWAA design that involve both states and substate areas, as well as other agencies and organizations. We first discuss the extent to which states and substate areas promote labor-management coordination through the use of labor-management committees and other structures that encourage contributions to EDWAA program design and service delivery by employer and worker representatives. Next we examine the extent to which states and substate areas promote coordination between EDWAA and other related funding streams and service delivery systems.

Section C describes the operation of state and substate service systems under EDWAA. Chapter VI describes rapid response activities, including the objectives of rapid response and the ways in which the study states and substate areas have organized to implement an immediate response to announcements of impending plant closures and large-scale layoffs. Chapter VII discusses the delivery of basic readjustment services to dislocated workers through three different mechanisms: (1) prelayoff services linked to rapid response activities, (2) plant-specific projects, and (3) ongoing program services for dislocated workers. Chapter VIII provides a detailed look at operational mechanisms for the delivery of retraining to dislocated workers using both general service systems and plant-specific projects.

Finally, Section D summarizes the extent to which the EDWAA program has furthered the seven national goals of the EDWAA legislation during its first implementation year and highlights several areas where further progress is desirable to ensure that EDWAA goals are realized in ways that lead to effective services and outcomes for dislocated workers.

II STUDY DESIGN

OVERVIEW

To meet the three study goals—to describe EDWAA organizational structures and operational procedures, to analyze the extent that EDWAA policies and organizational practices furthered the objectives of the legislation, and to provide policy-relevant information to DOL—the study was designed to be primarily "formative" rather than "summative." That is, the evaluation was designed not to provide a static assessment of the quality of EDWAA services but to assess how the program can be improved. This formative approach explored how the program functions and why the patterns of operation have occurred. To do so, the evaluation examined the operational links, both between state and substate functions and between design and delivery of services.

The study is based on systematic, multiple case studies based on site visits conducted in 15 states and 30 substate areas. Each site visit in each state involved intensive discussions with relevant staff at the state, substate, and service provider levels and lasted nearly 2 weeks. These site visits were conducted throughout PY 89 to observe various stages in the implementation of EDWAA. The site visits were supplemented by a review of state and substate plans. Telephone follow-ups were conducted with each state at the end of the year to discuss funding adequacy, application for National Reserve discretionary grants, and issues related to the adequacy of substate funding formulas.

On completion of each site visit, its findings were reported in a narrative site report prepared by the site visitor. These site reports provided the information used to conduct a cross-site analysis that examined the similarities and differences among the sites to come to an overall assessment of the implementation of EDWAA. The results of this cross-site analysis are described in this report.

The remainder of this section describes the design of the study. First, we describe the selection of the state and substate samples. We next describe the methodology used for the multiple case studies, including how the site visits were conducted, the preparation of the case study narratives for each site, and the cross-site analysis.

SAMPLE OF STATES AND SUBSTATE AREAS

Size of the State and Substate Samples

In designing the sample for the study, we considered the trade-off between the number of states and the number of substate areas that could be visited with available resources. The optimal strategy depended on two factors: (1) the relative policy weight placed on state-level compared with substate-level implementation issues and (2) whether there was greater variation in EDWAA implementation across states or within states.

We anticipated that there would be considerable variation across states in EDWAA implementation policies and practices. However, in many states, the substate role in EDWAA was new, and DOL was very interested in problems that substate areas encounter in implementing EDWAA programs. Further, the DOL regional staff provided monthly reports on state EDWAA implementation issues during the first quarter of EDWAA operations. As a result of these considerations, it was decided that the sample would consist of 15 states and 30 substate areas, 2 within each state. Selecting 30 substate areas from 15 states allowed us to examine a wide variety of state EDWAA implementation policies and their effects on substate areas' policies and practices.

State Sample Selection Criteria and Sampling Procedures

The state sample was designed to meet two objectives: (1) to be representative of the typical dollar expended or typical participant served nationally and (2) to reflect a broad range of states' experiences in making the transition from the previous Title III to the new dislocated worker program set forth in EDWAA.

How states implemented the previous Title III program was expected to have an important influence on the design of EDWAA programs. In designing the state sample, we considered three hypotheses:

- States with low expenditure rates in Title III are likely to have greater implementation problems with EDWAA. They may have greater start-up problems because they have less well-established service delivery systems. If the low expenditure rates reflected a low state commitment to serving dislocated workers, such states may have longer-run implementation problems as well.

- States that must dramatically reconfigure their previous Title III programs to fit the requirements of EDWAA will face the greatest transition challenge. Because EDWAA requires a substantial substate role in service planning and implementation, states that must establish a new substate delivery system may have greater implementation problems than those that can build on an existing substate system.

- The implementation experience will depend on whether states have previous experience in providing rapid response to planned plant closures or large-scale layoffs or whether they must develop rapid-response capabilities.

These hypotheses suggested that it was important to select a state study sample with variation in the following organizational and program design features:

- Expenditure rates in previous Title III programs for PY 87, calculated as total expenditures as a percentage of total resources available (i.e., PY 87 formula allocation, PY 87 discretionary funds, plus net funds carried in from previous years).

- Whether there was a substate delivery system in the previous Title III program that is being used for the EDWAA program.*

- Whether the state provided rapid-response services under the previous Title III program.

- DOL region.

Therefore, we stratified the sample into four cells according to whether or not the state had rapid response services and whether or not there was a substate delivery system under the previous Title III program. Within each cell we defined subcells based on expenditure rate.

To select a sample that represents the typical EDWAA dollar spent nationally, states were selected with probability proportional to their PY 89 allotment for EDWAA. Six states with allocations greater than 1/15th of the total allocation were automatically included in the sample. Among the remaining states, the number of states selected from each cell was proportional to the total allocation of states within each cell (excluding those states automatically included in the sample).

---

* Information about the state organization of dislocated worker services before EDWAA was obtained from the state Title III plans submitted for Program Year 1988, from "Back to Work: The States and Dislocated Workers" (National Alliance of Business, 1988); and "Labor Notes: EDWAA and WARN Implementation Update" (National Governors' Association, March 2, 1989).

States were also selected to represent DOL regions in proportion to the total allocation of states in each region, as long as one state was selected from each region.

Substate Area Selection Criteria and Sampling Procedures

Two substate areas in each of the 15 states were selected for site visits. As in the selection of sample states, the objectives were to select a sample that (1) reflects the national program experience at the substate level and (2) represents as much diversity as possible in characteristics hypothesized to affect EDWAA implementation.

The sampling frame included all the substate areas in the states of the state sample. We stratified substate areas by the following characteristics that are expected to influence the implementation and outcomes of EDWAA:

- Population density.
- Unemployment rate in PY 87.
- Percent of employment in manufacturing in 1987.

To ensure that the sample of 30 substate areas was representative of the typical EDWAA dollar or participant, we selected substate areas with probability proportional to a measure of the size of funding received by each substate area. Because data on substate allocations were not available, we used the number of unemployed individuals in the local area as a proxy for the substate area's allocation. This measure is a federal factor for the substate allocation formulas and is likely to be highly correlated with the size of substate allocations because it measures the size of the population served by EDWAA. Using these procedures, we selected two substate areas from each state. Table II-1 (see page II-6 and II-7) summarizes the state and substate samples. Additional detail on the characteristics of the sample can be found in the Phase I design report.

Sampling Service Providers

We also conducted on-site interviews with EDWAA service providers. Two or three providers were selected at each substate area. In several cases, all providers were interviewed.

Individual projects were selected to obtain variation on such features as:

- Relation to a specific plant closing/layoff versus targeting to a more general group of dislocated workers.
- Relative emphasis on basic adjustment services versus retraining.
- Extent of labor-management involvement.
- Type of service provider selected to provide the service.
- Contract terms and performance expectations.

The selection of individual projects was necessarily judgmental and reflected the assessment of the site visitor about which project or projects were most representative or which projects addressed implementation issues that were particularly relevant for that state or substate area.

CASE STUDY METHODS

Site Visits

We conducted extensive interviews with multiple respondents about the design and operation of EDWAA program services at each state and substate area. Exhibits II-1 to II-3 present the major topics covered during interviews.

At the state level, we interviewed key policymakers, including:

- SJTCC staff representatives.
- DWU staff director.
- Representatives of state-level advisory groups.

Table II-1

STATE AND SUBSTATE SAMPLES FOR EDWAA IMPLEMENTATION STUDY

Region	
1	Massachusetts Metro North Consortium, Cambridge Berkshire Consortium—Berkshire County, Pittsfield
2	New York Columbia/Greene Consortium, Hudson Buffalo/Erie/Cheektowaga/Tonawanda SDA, Buffalo
3	West Virginia Kanawha County, Charleston Northern Panhandle JT Consortium, Wheeling
4	Florida Broward County E & T Administration, Fort Lauderdale Okaloosa/Santa Rosa/Walton, Shalimar Mississippi Capital Area T & E Consortium, Jackson Balance of Mississippi SDA, Jackson North Carolina Kerr-Tar SDA, Henderson Cumberland County, Fayetteville
5	Illinois SDA 1 Lake County PIC, Waukegan SDA 16—United PIC, Pekin Michigan Oakland County, Birmingham Macomb/St. Clair Consortium, Mt. Clemens Wisconsin South Central Wisconsin Consortium, Portage Southeastern Consortium, Racine

Table II-1 (Concluded)

Region	
6	Texas Alamo Consortium, San Antonio Houston/Galveston Area Consortium SSA, Houston Oklahoma Cleveland County SDA (less Oklahoma City), Norman North Central Oklahoma SDA, Watonga
7	Missouri Missouri 7 Consortium (Barrey-Newton), Joplin Missouri 1 Consortium (Andrew-Worth), Trenton
8	Colorado Jefferson County Consortium, Lakewood Colorado Springs City/El Paso County, Colorado Springs
9	California Los Angeles City in Los Angeles Tulare County, Visalia
10	Washington Seattle City/King County Consortium, Seattle Pacific Mountain Consortium, Olympia

Exhibit II-1

STATE-LEVEL TOPICS

I. BACKGROUND
   A. Overview of Dislocated Worker Problem in State
   B. History of Title III Program

II. STATE ORGANIZATIONAL AND FINANCIAL STRUCTURE FOR EDWAA ADMINISTRATION
   A. Designation of State Dislocated Worker Unit
   B. Designation of Substate Areas and Administrative Entities
   C. Allocation of Funds to Substate Areas
   D. Use of 10% Funds
   E. Use of 40% Funds
   F. State Receipt of Federal Discretionary Funds

III. STATE PROGRAM DESIGN POLICIES
   A. State Role in EDWAA Planning
   B. State Role in Program Management and Monitoring
   C. State Coordination Activities

IV. STATE PROGRAM OPERATIONS
   A. Design and Operation of State Dislocated Worker Unit and State Support of Rapid Response Teams
   B. State Role in Promoting Involvement by Labor and Management
   C. Design and Implementation of State-Initiated Projects
   D. State Overview of Sample Substate Areas Selected for On-site Visits

V. PROGRAM OUTCOMES
   A. State Expenditure and Service Patterns
   B. State-Level Outcomes Summary

Exhibit II-2

SUBSTATE-LEVEL TOPICS

I. BACKGROUND
   A. Nature of Dislocated Worker Problem in Substate Area
   B. History of Title III Program in Substate Area and Overview of Transition to EDWAA

II. SUBSTATE AREA ORGANIZATIONAL DESIGN
   A. Organizational Structure for EDWAA Implementation
   B. Funding Levels and Flows/Fiscal Issues

III. SUBSTATE PROGRAM DESIGN ISSUES
   A. EDWAA Planning at the Substate Level
   B. EDWAA Program Design: Designing Service Content and Organizing Delivery of Services
   C. Program Management Practices, Reporting Requirements, and Performance Management
   D. Design and Implementation of Rapid Response Capability at the Substate Level
   E. Substate Role in Promoting Involvement by Labor and Management Through Labor-Management Committees
   F. Substate Coordination Activities

IV. SUBSTATE AREA PROGRAM OPERATIONS
   A. Service Delivery: Client Flow Issues for Plant Closing Projects
   B. Service Delivery: Client Flow Issues for General Dislocated Worker Projects
   C. Service Delivery: Basic Readjustment Services
   D. Service Delivery: Retraining Services
   E. Service Delivery: Supportive Services and Needs Related Payments

V. SUBSTATE AREA OUTCOMES
   A. Substate Expenditure and Service Patterns
   B. Substate-Level Outcomes Summary

Exhibit II-3

PROJECT-LEVEL TOPICS

I. BACKGROUND
   A. Environmental Characteristics
   B. General Description of Project

II. PROJECT DESIGN
   A. Rapid Response Capability
   B. Labor-Management Coordination
   C. Project Planning
   D. Coordination Issues
   E. Program Management Practices, Reporting Requirements, and Performance Management

III. PROGRAM OPERATIONS
   A. Participation Rates and Client Flow Issues
   B. Provider Assessment of Participation Issues
   C. Service Delivery: Basic Readjustment Services
   D. Service Delivery: Retraining Services
   E. Service Delivery: Supportive Services and Needs Related Problems

IV. PROGRAM OUTCOMES
   A. Project Expenditure and Service Patterns
   B. Project-Level Outcomes Summary

In addition, we interviewed individuals involved in detailed design and implementation of EDWAA at the state level, including those playing lead roles in:

- Designing or implementing the previous Title III program.
- EDWAA policymaking and planning.
- Designing of rapid response services and linkages with WARN.
- Implementing rapid response services.
- Supporting labor-management cooperation.
- Developing coordination agreements and procedures.
- Developing substate allocation and reallocation formulas.
- Monitoring substate area performance, expenditures, and program services.
- Designing and implementing performance standards and goals.
- Providing technical assistance to substate areas.
- Designing and managing state-initiated projects.
- Reviewing requests for discretionary funding.

We also interviewed individuals from other agencies or organizations involved with the EDWAA program at the state, such as agencies coordinating services with EDWAA, state labor liaisons, and state business organizations.

At the substate areas, we interviewed key policymakers, including:

- Director of substate grantee.
- Director of DWU for substate grantee.
- Representatives of any substate-level policy groups involved with EDWAA.

We also interviewed staff that play lead roles in the following functions:

- Designing and implementing the previous Title III activities, if any.
- EDWAA policymaking and planning.
- Participating in rapid response teams or transitioning from state- to local-level services.
- Designing and/or implementing outreach, recruitment, and enrollment procedures.
- Designing and/or implementing basic readjustment services.
- Designing and/or implementing retraining services.
- Negotiating and/or monitoring contracts for EDWAA services.
- Supporting labor-management cooperation.
- Coordinating with other agencies (e.g., UI, ES, TAA).
- Writing proposals for discretionary funding for EDWAA projects.
- Monitoring providers' performance, expenditures, and program services.

Individuals from local agencies that are coordinating services with EDWAA or that play a direct role in EDWAA implementation, such as local labor or business organizations, were also interviewed.

The individuals interviewed at the provider level varied greatly, depending on the type of services being provided. We generally interviewed the director of the provider agency, the individuals who plan program services, those who work directly with EDWAA participants, and those who are involved with contract negotiations and management.

Write-ups of Individual Case Studies

At the conclusion of each on-site visit, the site visitor wrote a report on the findings for in-house review by the research team. The individual write-ups analyzed the implementation experience in the site and summarized the implementation findings. The site narratives were written according to a common outline, organized by topic area, to facilitate the comparative cross-site analysis.

Cross-Site Analysis

The cross-site analysis was conducted in three steps. First, summary charts were prepared to compare the implementation experiences in different locations. Issues appropriate to state- and substate-level decisions and practices were summarized across sites. Separate charts were prepared for each major topic area. Second, typologies were developed to cluster states and substate areas with similar implementation experiences. Finally, crosstabulations were used to find relationships among different program dimensions and to examine how program design decisions were influenced by external factors (e.g., geographic size of the substate area and the extent and types of economic dislocation that are occurring). In the remainder of this report, we present the results of this analysis.

III STATE ORGANIZATION AND DESIGN OF EDWAA

Among the key state responsibilities emphasized by the EDWAA legislation are the following:

- Designation of substate boundaries and substate grantees for the EDWAA system, in consultation with local elected officials and local PICs.

- Design and administration of a formula for the substate allocation of 50% funds to substate areas and development of a procedure to allocate the remaining 10% funds to substate grantees by the end of the third quarter of each program year.

- Review of substate designs for the delivery of basic readjustment and retraining services to dislocated workers and oversight and monitoring of substate program operations and performance outcomes.

- Oversight of fiscal accountability of EDWAA expenditures by state and substate grantees, including periodic monitoring of expenditure rates to ensure that the 80% expenditure requirement will be met.

- Development of a plan for the expenditure of 40% funds, including a budget for administration, rapid response, and other state projects and discretionary grants to substate areas.

- Promotion of labor-management cooperation in the design and operation of rapid response and early intervention services for workers affected by large-scale layoffs and plant closures.

- Promotion of coordination at the state and substate levels to ensure effective linkages among services.

- Lead responsibility for coordinating and ensuring rapid response to announcements of large-scale layoffs and plant closures, particularly where advance warnings are mandated by the WARN legislation.

- Provision of information and technical assistance to substate areas to encourage their active involvement in rapid response and to assist them in the provision of prelayoff services to workers affected by large-scale layoffs and plant closures.

The legislation was not explicit about whether states should play a key role in specifying client or service priorities for the EDWAA program as a whole or whether they should defer to local substate grantees on these program design issues. The legislation also did not specify how states should administer those portions of the 40% funds that were not used for rapid response, administrative functions, or statewide, regionwide, or industrywide projects.

This chapter describes:

- State organizational structures and policy goals for EDWAA.
- State practices in designating substate areas and designing formulas and other procedures for allocating the 50% and 10% funds to substate grantees.
- State accountability procedures, including oversight of substate program operations and outcomes and fiscal accountability and expenditure monitoring systems and reallocation procedures.
- State programmatic and budgetary choices about how to use state 40% funds.

This chapter concludes with a summary of states' transition from the previous Title III program to EDWAA. Other chapters of this report describe state and substate efforts to promote coordination and encourage labor-management cooperation (Chapter V) and the implementation of rapid response under EDWAA (Chapter VI).

STAFFING FOR STATE EDWAA FUNCTIONS

Policymakers

In most states, the members of the State Job Training Coordinating Council (SJTCC) played an active role during the initial stages of EDWAA planning, participating in decisions about the designation of substate areas and substate grantees and approving staff recommendations on the development of one or more formulas to use in the substate allocation of EDWAA 50% and 10% funds. Five state SJTCCs designated committees to assist the councils in developing EDWAA policy and overseeing program implementation. SJTCC members tended to concern themselves with larger program policy and design issues and to leave the detailed administration and oversight of program implementation, including the administration of 40%-funded projects, to the state agency responsible for EDWAA.

In one study state, the state legislature became actively involved in EDWAA policy-making. State enabling legislation in this state dictated that the state retain 33 1/3% of the funding at the state level, rather than 40%, and specified the exact proportions of the state share to be used for rapid response, other state projects, and grants to substate areas for plant-specific projects. Furthermore, the legislature required substate areas to use at least 10% of the state allotment for services to individual dislocated workers, and specified that at least 60% of substate funds be spent on retraining services. The specificity of these legislative requirements reduced the flexibility of state agency policymakers in this state.

Policy leadership at the state agency level usually involved both the executive staff of the division responsible for the administration of the JTPA program as a whole and the coordinator of the unit responsible for rapid response under EDWAA. In one state, policymaking functions were shared between the governor's office of job training and the state agency responsible for administering the JTPA program. Because the state's rapid response function under EDWAA was seen as a politically sensitive and important function in this state, the DWU was housed in the governor's office while the more routine administrative functions associated with EDWAA administration (e.g., approval of substate plans, contracting with providers, and programmatic and fiscal monitoring) were housed in the state JTPA agency. A second state administered its entire EDWAA program from a quasi-governmental agency not responsible for the rest of the JTPA program.

Staffing for Program Operations

The EDWAA legislation required each state to designate a dislocated worker unit within the state agency responsible for the EDWAA program to coordinate rapid response at the state level and provide information and technical assistance to local actors involved in rapid response. Six of the states studied designated the entire department or division responsible for the JTPA program as the state DWU. Two states designated as the DWU a department or division specializing in services for dislocated workers that included a variety of state functions in addition to rapid response. Seven states designated the particular unit responsible for coordinating rapid response activities as the DWU.

Because of these variations in how the DWU was defined, it is very difficult to compare the actual size of the staffs devoted to EDWAA across the study states. The rapid response units varied in size from a staff of one person (in a state where a statewide hiring freeze prevented

adequate staffing for responding to WARN notifications and where rapid response activities were actually carried out by a state contractor) to rapid response units composed of 8 to 10 professional staff in several of the larger states studied.

In many of the states studied, the individuals responsible for rapid response activities were not involved in the administration of other aspects of the EDWAA program. Often, these more routine state administrative functions were performed by staff who carried out a given function for the entire JTPA system. Thus, for example, state contracts with EDWAA service providers were often negotiated by staff in the JTPA contracts unit, and monitoring of state contractors and substate areas was often assigned to a JTPA monitoring unit that often performed integrated Title II and Title III on-site monitoring visits. In several states, however, the rapid response unit staff participated in the negotiation and monitoring of 40% contracts, especially if these contracts were identified as being of statewide, regionwide, or industrywide importance.

The integration of Title II and Title III staffing of state program administration and oversight has made it more difficult for some states to provide effective technical assistance to substate areas regarding appropriate client populations and effective service delivery models for the EDWAA program. As a result, technical assistance and program monitoring have tended to emphasize procedural matters and general program compliance issues rather than the appropriateness of the services offered at the substate level for dislocated workers.

GOALS FOR THE STATEWIDE SYSTEM: STATE CLIENT AND SERVICE PRIORITIES

Client Goals

State-Planned Priorities

In their state plans, each of the 15 study states established statewide client priorities for EDWAA. These client goal statements were influenced by the extent to which large-scale layoffs, small-scale dislocation, and long-term unemployment were affecting the workforce in each state, as well as by state policies about the relative priority to be given to these different groups within the EDWAA-eligible population.

Eight states gave higher priority to recently laid-off workers than to long-term unemployed workers. Among these eight, five states gave the highest priority to those dislocated from large-scale layoffs or closures. These five states had experienced recent plant closures in manufac-

turing or energy-related industries. The remaining three states targeted recently laid-off workers, regardless of the size of the layoff. These states varied in overall economic conditions, but all faced dislocations in major industries.

Six of the study states assigned equal priority to the long-term unemployed and to recently dislocated workers. Many of these states had experienced a high level of plant closures and layoffs in manufacturing concerns during the 1980s and were continuing to experience small-scale layoffs. As a result, workers eligible for EDWAA included both significant numbers of long-term unemployed workers and a highly varied population of recently dislocated workers.

Only one state assigned higher priority to the long-term unemployed than to recently laid-off workers. This state had little or no experience of large-scale layoffs and saw the EDWAA program as an opportunity to provide more intensive services to some of the same individuals eligible for Title II-A services.

Mechanisms for Furthering Client Goals

Other than providing advice and technical assistance to substate areas, states have limited mechanisms for pursuing their client priorities under the EDWAA program because the primary responsibility for outreach, recruitment, and enrollment belongs to substate grantees. The three ways in which the study states attempted to influence client targeting included: (1) establishing criteria for client targeting to be used during the state review of substate plans and subsequent monitoring of substate operations; (2) spending 40% funds to emphasize services to a particular target group; and (3) interpreting EDWAA eligibility criteria to influence the characteristics of the eligible target population. State agencies administering EDWAA also had the authority to determine whether or not displaced homemakers would be eligible for EDWAA services in their state.

Establishment of Client Targeting Criteria—Most states deferred to substate client targeting goals as expressed in the substate plans, without devising specific state review criteria. One state, however, required substate areas to establish equitable service goals for different population subgroups within the dislocated worker population (i.e., age, ethnicity, and sex). Another state legislature required substate areas to use 15% of their substate formula allocations for services to dislocated workers not affected by a large-scale layoff or plant closure.

Design of 40%-Funded Projects -- In designing 40%funded projects, states also had an opportunity to emphasize services to one or mote client target groups. Six of the study states used their 40% funds primarily to target workers displaced by mass layoffs and plant closures. One state emphasized services to recently laid-off workers by using 40% funds to contract with ES for eligibility assessment and basic readjustment services for all dislocated workers state-wide. Two states emphasized service to selfemployed individuals with 40% funds through entrepreneurial support and economic development projects. One state used 40% funds to support a variety of projects for particular subgroups within the EDWAA-eligible population, including older workers, veterans, Hispanic workers, ex-offenders, and handicapped individuals.

interpretation of Eligibility Criteria -- A number of states influenced client targeting primarily through their policy guidelines on how to operationalize the eligibility categories contained in the EDWAA legislation. The EDWAA legislation provides for four major categories of eligibility for dislocated workers:

- Individuals terminated or laid off from employment who are eligible for or have exhausted UI benefits and are unlikely to return to their previous industry or occupation.

- Individuals terminated or notified of termination of employment due to a permanent plant closure or a substantial layoff.

- Long-term unemployed individuals who have limited opportunities for employment or reemployment in their previous occupations.

- Self-employed individuals (including farmers or ranchers) who are unemployed or about to be unemployed because of natural disaster or business failure.

Several states restricted EDWAA eligibility by imposing additional criteria for one or more of these categories. For example, one state restricted participation of the long-term unemployed during PY 89 by requiring that all long-term unemployed workers eligible for EDWAA to have been laid off within the preceding 3 years. To qualify as a long-term unemployed worker in this state, an individual had to have proof of layoff and have worked only at entry-level jobs or unstable jobs since the qualifying layoff. Another state granted eligibility to UI recipients and long-term unemployed only if they had been employed with the same employer for at least 3 years before being terminated or laid off. In addition, this state required that applicants in these two categories meet at least one of two tests for difficulty of reemployment. Under the first test,

applicants could qualify for EDWAA if the projected employment growth rate of the previous occupation was less than the projected rate of growth for the state as a whole. Under the second test, applicants could qualify for EDWAA if they had been un-employed for 26 weeks and had completed 1 month of documented job search through the employment security system.

More often, the study states encouraged inclusive interpretations of the EDWAA eligibility categories. For example, one state declined to impose a certain duration of unemployment as a test of being "unlikely to return" to the previous occupation because it wanted to encourage early intervention for dislocated workers. As a result, substate areas in this state were able to serve most UI recipients who were interested in participating in the program. Another state, concerned that overly strict eligibility criteria imposed by its statewide intake contractor were limiting program participation, eliminated a requirement that laid-off individuals had to have been out of work for 15 weeks before qualifying for the EDWAA program. In the same state, some dislocated workers were being denied eligibility for the EDWAA program if there were jobs available in the worker's previous occupation. State staff clarified that this criterion should be applied in a more individualized fashion, so that workers who needed to upgrade their skills to qualify for reemployment in the available jobs could be eligible for EDWAA services. Several states operationalized the definition of the long-term unemployed to include individuals who had not recently been in the labor force because of incarceration or disability.

Other eligibility issues addressed by some states had to do with the time period during which applicants could qualify under the plant closure/substantial layoff criterion and the size of a layoff qualifying an EDWAA applicant under this criterion. Several states prescribed an extended "window" of eligibility for workers affected by substantial layoffs, ranging from 3 to 5 years after the initial layoff. Furthermore, states generally directed substate areas to offer automatic eligibility to workers affected by all layoffs for which the state or substate area had conducted rapid response. However, some states limited eligibility to workers affected by layoffs subject to mandatory WARN notification requirements in an attempt to give the term "substantial layoff" in the EDWAA eligibility criterion the same definition as "substantial layoff" in the WARN legislation.

Eligibility of Displaced Homemakers and Other Special Groups—Of the 15 states studied, only 2 states categorically excluded displaced homemakers from EDWAA eligibility. Three states encouraged substate areas to target displaced homemakers for EDWAA services as long as it did not interfere with services to eligible dislocated workers. The remaining states

permitted, but placed certain limits on, eligibility for displaced homemakers. Two states limited displaced homemakers to 10% of enrollees, but one of these states applied the 10% limit only to displaced homemakers lacking previous labor force experience. A third state imposed a 5% limit on displaced homemaker enrollments with an option for an increase to 10% by special request. A fourth state limited EDWAA services to displaced homemakers whose need to reenter the work force was related to the dislocation and subsequent absence or disability of a working spouse.

Limitations on the extent of services to displaced homemakers were generally designed to be relaxed when and if underspending became an issue. One of the study states was considering actively targeting displaced homemakers at the time of the site visit because of a severe underspending problem.

Service Priorities

The study states generally deferred to substate areas in the design of specific services for dislocated workers served with formula funds at the substate level. State influence was felt in three areas, however: (1) state policies regarding the implementation of the federal 50% retraining expenditure requirement, (2) state incentives to provide long-term training, and (3) state policies regarding the provision of needs-related payments to dislocated workers.

State Policies Regarding the 50% Retraining Expenditure Requirement

Most states were enthusiastic about the federal 50% retraining expenditure requirement. Although many states had an official policy to grant a waiver of this requirement if an adequate justification was supplied, only a few states encouraged substate areas to apply for waivers or specified the conditions under which waivers would be granted. One state even set the desired retraining expenditure level at 60% rather than 50% (although waivers to 50% would be granted in this state without justification).

One state, however, encouraged its substate areas to request waivers to preserve the greatest possible local flexibility to make EDWAA services responsive to local needs. Eight of the substate areas in this state requested and were granted waivers to the 30% level as "insurance," although a number of these substate areas actually planned to meet the 50% retraining requirement. Another state specified circumstances under which waiver requests would be considered. These circumstances included, for example, a substate area's obtaining

free or low-cost training for EDWAA enrollees or a large number of mass layoffs necessitating high expenditures for basic readjustment services.

State Incentives for Long-Term Training

Most of the states studied were also supportive of the federal policy to encourage long-term training for dislocated workers, although state reactions ranged from active enthusiasm to more passive statements of agreement. One state expressed disagreement with the federal policy, saying it thought dislocated workers generally needed services that would assist them in rapid reemployment.

A number of the study states included in their state plans, or said that they were currently considering, various mechanisms to encourage substate areas to provide long-term training. In some cases, these measures had not yet been implemented. The mechanisms used or under consideration included:

- Implementing state performance goals for EDWAA that emphasized long-term outcomes rather than termination-based outcomes (two states).
- Deemphasizing cost performance measures or establishing relatively high goals for the mean cost per placement (several states).
- Using 40% funds to subsidize the cost of long-term training, usually through a state contract with the state education or vocational education agency to pay tuition for EDWAA clients enrolled at the substate level (three states).
- Requiring substate areas to report the number of enrollments in and completions of long-term training, defined as training exceeding 12 months or 1,000 hours or curricula specifying the training required for an occupational competency (one state).
- Awarding a pool of incentive funds to substate areas for their performance in providing long-term training. One state was considering making an incentive payment to substate areas for each long-term training completer who enters employment in PY 90. Another state plans to reward substate areas during PY 91 for their share of all substate enrollees receiving long-term training during PY 90.

In addition, several states had made changes in the design or operation of their 40% contracts to encourage the provision of long-term training with these funds. These changes included:

- Shifting from performance-based contracts to cost reimbursement contracts with state 40% contractors (two states).
- Offering adjustments in contract terms for 40%-funded projects that provided large amounts of long-term training (one state).
- Offering long-term training opportunities (e.g., up to 3 years) to trainees in 40%-funded projects.

State Policies Regarding Needs-Related Payments

Almost without exception, the states visited left policies regarding the provision of supportive services to EDWAA participants—including needs-related payments—to the substate areas' discretion, to be paid for with substate formula funds. Although the provision of needs-related payments is an issue for substate decision-making, many of the state-level respondents we interviewed actively discouraged the provision of these payments, saying, "we feel that needs- related payments are a luxury" or "needs-related payments are a low priority." In the absence of strong state policy and financial support for needs-related payments, the substate areas we visited also made such payments (and supportive services in general) a low priority, as discussed in the next chapter.

BUILDING A SUBSTATE DELIVERY SYSTEM

Designation of Substate Areas

The EDWAA legislation, while requiring that a substate system be established in each state, leaves considerable discretion to the states about how to design their substate delivery systems. The legislation indicates that the boundaries of substate areas must not cut across Title II-A service delivery areas but permits states to designate substate areas consisting of groups of SDAs. Furthermore, the organizations selected as grantees for the EDWAA program may be PICs, nonprofit organizations, or other agencies agreed on by the governor, local elected officials, and the local PIC. This section describes the choices made by states in designating substate areas and substate grantees and the reasons for these choices.

Fourteen of the 15 states chose to make the geographic areas of all their substate areas the same as the jurisdictions of their Title II-A SDAs. One state combined three SDAs to form a single substate area for its largest metropolitan area.

Furthermore, 14 of the 15 states generally selected their Title II-A grantees as the agencies to receive substate funding and administer local programs under EDWAA. In the one exception to this pattern, the state designated as substate grantees the agencies actually operating EDWAA programs rather than SDAs that would then contract out for the provision of EDWAA services. Two options were provided to the local elected officials and PICs in this state: (1) substate areas previously receiving Title III funds from the state could have their former program operators designated as the grantees under EDWAA, or (2) substate areas could issue an open "Request for Qualifications" to determine who would be designated as the substate grantee.

Although the remaining states generally had the Title II-A and EDWAA programs under the same administrative umbrella, there were a few exceptions in four states. One state designated 24 out of 26 SDAs as substate grantees, and the remaining 2 were community colleges that had previously provided Title III services under a state contract. In three other states, all SDAs were designated substate grantees with a single exception in each state. One state designated a consortium that included the SDA as one member. Another state selected the ES as the grantee in one area. Finally, the state that had combined three SDAs into a single substate area designated a regional council as the substate grantee, with an advisory committee consisting of PIC and LEO representatives.

States gave various reasons for their decisions to use the same geographic boundaries and designate the same administrative entities for the Title II-A and Title III programs. Several states pointed out that SDAs already covered the entire geographic area of the state, as required by the EDWAA legislation. Using an existing administrative system was viewed as easier and more cost-effective than trying to set up a new system. Some states thought an integrated administrative structure would reduce unnecessary duplication of overhead costs for the two programs.

Furthermore, state respondents generally expressed high opinions of the abilities of their SDAs to design and administer employment and training services. A respondent in one state said that they had found their SDAs to be exemplary in the ability to coordinate with other local

agencies and wanted to take advantage of this quality in the substate administration of the EDWAA program.

Several states said that they felt there was political pressure to designate SDAs as substate areas for the EDWAA program. In several cases, local PICs had lobbied very hard to receive the EDWAA substate area designation. One state said that it interpreted federal regulations to encourage the selection of SDAs as the substate areas under EDWAA. Another state said it felt compelled to select SDAs in order to preserve its good working relationship with SDAs under the Title II-A program.

Relatively little consideration was given to whether SDAs had previous experience in providing services to dislocated workers. Although some states indicated that they chose SDAs as grantees because SDAs had already been providing most services to dislocated workers under Title III even states whose previous substate delivery system was independent of the SDAs generally designated their SDAs as grantees under EDWAA.

Distributing Funds to Substate Areas

Substate Allocation Formulas

States ate required to distribute at least 60% of their funds to the substate areas: 50% is to be allocated at the beginning of the program year, and 10% may be held in reserve for distribution to those substate areas in need during the first 9 months of the program year. The initial substate allocation of 50% funds is to be based on six federal factors:

- Insured unemployed
- Unemployment concentrations
- Long-term unemployed
- Plant closings and mass layoffs
- Declining industries
- Farmers or ranchers experiencing economic hardship.

States must determine how these factors are to be measured and establish relative weights for them. States may also incorporate additional factors into their allocation formulas.

In reviewing PY 89 plans, DOL tried to emphasize that each required factor should receive a nonzero weight. In practice, a number of states did place a zero weight on one or more of the required factors because they did not have any way to measure the factor, were not satisfied with the reliability of the data available on the rejected factor, or had developed another measure to be a proxy for the factor.

This section describes the extent to which the 15 study states used the 6 federally required factors, some of the problems they experienced as they attempted to measure these factors, any additional factors states elected to use, and the resulting weights among factors in the allocation formulas. A final topic discussed is the extent to which states perceived that their formula was effective in distributing funds across the substate areas in relation to need.

Factors Used and Measurement Practices—Eight of the 15 states visited used all 6 federally required factors, while the remaining states used from 3 to 5 of the required factors, assigning the remaining factors a weight of zero.

The number of insured unemployed was used as a factor in the substate allocation formula in 14 of the 15 states visited. Thirteen states used data on the number of UI claimants or UI payees during a specific period, while the fourteenth state used total unemployment as a proxy for insured unemployed. The state that did not use this factor used total unemployment in its allocation formula, but considered this a measure of unemployment concentrations rather than a proxy for insured unemployed. In the states that used this factor, the relative weight given to the number of insured unemployed ranged from 5% to 46%.

The extent of unemployment concentrations was used as an allocation factor in all 15 states visited but was defined in different ways in different states. Some states defined this factor as the total number of unemployed persons during the reporting period. Other states defined it as the total number of unemployed persons in counties or SDAs where the average unemployment rate exceeded a certain level (e.g., the state average, 4.5%, 6.5%). One state measured the number of unemployed persons in excess of 4.5% in each SDA where unemployment exceeded this value.

The relative weight given to excess unemployment ranged from 2% to 60% of all factor weights. The state with the highest weight on this factor actually used two different measures—the total number of unemployed and the number of unemployed in excess of 4.5%—in its formula. This was a state with high unemployment levels that said it added the second factor to make sure that its urban areas received enough funding.

The number of long-term unemployed was also used as an allocation factor in all 15 of the states visited. Most states measured this factor using the number of UI claimants receiving benefits for 15 weeks or longer during the reporting period. However, at least two states measured the factor using the number of UI exhaustees. One state used two different measures of this factor, including the number of UI claimants receiving benefits for 15 weeks or longer and the average duration of UI claims, in weeks. The weight given to this factor ranged from 5% to 46%.

Taken together, the three federal factors measuring insured unemployment levels, excess unemployment, and long-term unemployment accounted for between 30% and 100% of the total factor weights in the 15 states visited. These factors received less than 50% of all weights in four states, between 50% and 75% of all weights in five states, and 75% or more of all weights in six states. These factors were the only factors used in two of the study states.

Although the remaining three federal factors—plant closings and mass layoffs, declining industries, and farmer and rancher economic hardship—are perhaps most directly related to economic dislocation, the states studied had a much more difficult time developing measures and locating reliable data for these factors.

The extent of plant closings and mass layoffs was included as a factor in the allocation formula in 11 of the 15 states visited. States used a variety of data sources and methods to generate measures for this factor. Some states had information on the numbers of workers affected by permanent large-scale layoffs or closings (generally layoffs involving more than 50 workers). Other states obtained information on the number of workers affected by large and small layoffs but were not always able to subtract from this total the number of workers who were eventually rehired at the same job site. One state used a 2-year rolling average of the number of UI beneficiaries who reported no anticipated recall date at the time they applied for UI benefits. The weight given to this factor in the states in which it was used ranged from 1% to 25%.

Several states were concerned about the quality of their plant closure/mass layoff data. Among the problems were the following:

- The measure is volatile from one time period to the next; this volatility creates problems for continuity of budgets and programs in the affected substate areas. Because of this volatility, there is doubt that the extent of large-scale closures during one time period is a good indicator of the level of need for dislocated worker funds during the subsequent period. In response to this problem, one state recently implemented a "hold-harmless" provision in its allocation formula, so that substate areas can be assured of receiving at least 90% of their preceding year's funding levels.

- One state complained that it could not easily extract data on those layoffs that resulted in permanent dislocation, rather than temporary layoff spells.

One state planned to add an optional factor to its allocation formula for PY 90 for the number of dislocated workers in the ES caseload. In this state, all workers registering with the U.S. Employment Service are coded as to whether they meet the JTPA eligibility definition of dislocated worker.

The extent of declining industries was used as a factor in the allocation formula in 12 of the 15 states visited. Most states developed similar measures for this factor, counting the number of jobs lost over a specific reporting period in industries that were identified as experiencing declines in employment. One state used two measures for this factor--the number of jobs lost and the number of establishments closed in declining industries. Another state developed three different measures to emphasize the importance of the declining manufacturing sector in that state--the percent employment in manufacturing, the percent change in manufacturing employment, and the ratio of manufacturing wages to total wages—and assigned each of these measures a substantial weight in the allocation formula, so that, overall, these measures accounted for 60% of all factor weights. In the other states that used a declining-industries factor, the weight given to it ranged from 2% to 25% of the factor weights.

One state developed an additional factor for the extent of dislocation, measured by the reduction in employment in especially hard-hit sectors of the economy, adjusted for the population changes in the local area (i.e., to control for outmigration of laid-off workers and their families). This optional state factor was given the largest weight of any factor in this state's allocation formula—35%.

The number of farmers or ranchers experiencing economic hardship was used as an allocation factor in 9 of the 15 states visited. Developing a valid measure for this factor was difficult in most states. In addition, farmer and rancher hardship was not perceived as a major contributor to worker dislocation in a number of states. As a result, six states gave a zero weight to this factor, and most of the remaining states gave it a relatively low weight. Among the proxy measures developed for this factor were: the percent change in agriculture employment, the number of Farmers' Home Administration loan delinquency notices issued, the number of bankruptcies, the local share of total state personal farm income, and the number of farms with a debt/asset ratio more than 40%. The weight given to this factor in the states that used it ranged from 1% to 16%.

Taken together, the three federal factors that are indicators of the extent of economic dislocation in substate economies—mass layoffs and plant closures, declining industries, and farmer and rancher hardship—plus the related optional state factor described above, accounted for between 0% and 60% of the total factor weights in the 15 states visited. Two states did not use any of these factors in allocating EDWAA funds to substate areas. These factors accounted for between 6% and 25% of all factor weights in five states, between 26% and 50% of all factor weights in six states, and more than 50% of all factor weights in two states.

Three states added optional state factors to their allocation formulas related to *economic growth (or decline)*. Two states used measures of the rate of employment growth in each substate area. In each state, negative employment growth was given a higher score score than positive growth. One state gave this factor a weight of 10%, while the other state gave it 25% of all factor weights. A third state measured economic growth as the percent change in total per capita personal income over a 3-year period. Declines in per capita income were given a higher score than increases. This factor was given a weight of 12.5%.

Minimum Funding Levels—Out of concern that substate areas have enough formula funds to operate a program for dislocated workers, 5 of the 15 study states established a minimum funding level under which no substate's formula allocation could fall. This minimum funding level ranged from a low of $50,000 in one state to a high of $200,000 in two states.

Effectiveness of Substate Allocation Formulas—Follow-up telephone calls were made to the 15 study states at the end of PY 89 to determine whether the substate allocation formula had turned out to be a good predictor of the level of need for local dislocated worker services.

About half of the states perceived that their formulas had been effective, while the other half identified problems with their allocation formulas. Few respondents had specific suggestions, however, about how to change the factors in the formula to improve the resulting allocation patterns.

Four types of problems were identified: (1) difficulties in establishing a reasonable urban/rural balance of funding, (2) problems with volatility in the results of the formula distribution from year to year and/or lack of reliability of individual measures, (3) problems of substate underexpenditure, and (4) problems of insufficient formula funding to meet local needs.

Several states said that the allocation formula made it difficult to provide rural areas with sufficient funding to operate dislocated worker programs. Each of these states had established minimum substate funding levels primarily to shift funds from urban areas to rural areas. Increasing the weight given to the farmer and rancher hardship factor was another strategy used to increase the rural share of formula funds. Another state said that it had experimented with different weights for different factors until it came up with an urban/rural balance that looked reasonable.

Two states expressed some discomfort with the reliability of individual factors in the formula or with the year-to-year fluctuations in the results of the formula allocation. One state found that dramatic shifts occurred in substate area formula shares from one year to the next. Whether or not this was a valid indication of shifts in the extent of economic dislocation, the lack of stability in the resulting funding levels would have been very disruptive to the creation of an ongoing substate delivery system. As a result, this state added a 90% "hold-harmless" provision to the allocation formula, guaranteeing each substate area at least 90% of its preceding year's funds. Another state found that various indicators of the extent of declining industries were contradictory and became uncertain about the reliability of its measure of this factor. As a result, this state assigned a zero weight to declining industries in its PY 90 allocation formula.

States in which a number of substate areas had experienced difficulty in expending their formula allocations were not convinced that the underspending substate areas had received more funding than they needed. Instead, at least four states attributed substate expenditure problems to inexperience with the administration of dislocated worker services. In addition, several state respondents commented that the equity of substate allocations was not a very important issue

because the state felt that it had received a generous level of total funding, and there was plenty of money to go around.

At least nine states provided additional discretionary funds to serve dislocated workers in one or more substate areas during PY 89 when formula funds proved to be inadequate. In most cases, discretionary grants were made to assist substate areas in responding to large-scale layoffs or plant closures that occurred during the program year. However, in two states, supplementary funding was provided to expand general dislocated worker services targeted to recently laid off workers or long-term unemployed. In most cases, states felt that these supplementary grants had been anticipated in their 40% budgets and that the need for midyear discretionary funding was not evidence of a basic flaw in the allocation formula. One state said that voluntary deobligation procedures made it relatively easy to shift funds from substate areas with excess funds to areas with insufficient funds, and reduced the consequences of any imperfections in the substate allocation formula.

Distribution of 10% Funds

Formula Distribution of 10% Funds—Nine of the 15 study states elected to distribute the 10% funds to substate areas at the beginning of the program year. Reasons for the early distribution of these funds included:

- A desire to provide substate areas with enough funds to plan and operate dislocated worker programs from the outset.
- A desire to avoid having to rush to give away the 10% funds through an alternative award process.
- The barriers to using these funds for an emergency reserve pool because these funds had to be awarded during the first 9 months of the program year.

Six of the nine states that distributed the 10% funds at the beginning of the program year used the 50% allocation formula. One state used a different formula for the 10% funds, distributing half the funds on the basis of the farmer and rancher hardship factor in the 50% formula and half on the basis of the number of unemployed in the substate area. Another state used the 50% allocation formula but gave 10% funds only to SDAs that had spent their PY 88 formula shares expeditiously and indicated that they could use additional funds. A third state

provided 10% funds by formula, but only to four substate areas that operated ongoing emergency assistance centers for dislocated workers.

Two of the nine states that distributed 10% funds by formula at the beginning of the program year tried to influence how these funds were used at the substate level. One state had a policy that 10% funds be used for literacy training and economic development (entrepreneurial training and customized training) projects. The other state awarded 10% funds in response to substate plans for providing innovative services to meet the needs of special subgroups of the dislocated worker population with special needs.

Follow-up telephone contacts with the study states at the end of PY 89 indicated that the states that had awarded 10% funds by formula at the beginning of the program year had been pleased with the results of this decision. The follow-up respondents indicated that funds had been available from other sources to accommodate emergency needs.

Use of 10% Funds for Discretionary Projects—Six states withheld the 10% funds at the state level for distribution to substate areas during the program year. Reasons for distributing these funds through discretionary grants included:

- Making sure that substate areas thought they could use additional funds before providing them with 10% funds.
- Creating an emergency reserve for large-scale layoffs or plant closures.

States varied in the requirements for qualifying for a discretionary 10% award. In several states, substate areas could receive 10% awards if they submitted a letter application requesting the funds, stating that they needed additional funds to meet the existing level of need. In contrast, two states required substate areas to document that they had already obligated all available funds to the extent that they could no longer provide services to any additional dislocated workers.

Two states initially invited 10% proposals from substate areas for special projects to respond to major layoffs or offer innovative services. When applications for these special project funds did not exhaust the available 10% funds, these two states distributed the remaining 10% funds by formula to all substate areas at the end of the first half of the program year. This

was not always appreciated by the substate areas, which were expected to spend the additional funds by the end of the program year.

Follow-up contacts with the states that made discretionary grant awards with 10% funds during PY 89 revealed that they were satisfied with the discretionary distribution of 10% funds and planned to distribute these funds in the same way during PY 90.

ENSURING PROGRAM AND FISCAL ACCOUNTABILITY

Another important role assigned to states by the EDWAA legislation is to oversee program accountability, through implementing performance standards and information systems to monitor program outcomes at the state and substate levels, and through monitoring program and fiscal operations throughout the state.

Program Accountability

Performance Standards

Performance Standards Requirements Under EDWAA—Under the previous Title III program, governors were required to set statewide goals on a single federal performance standard, entered-employment rate at termination, and were encouraged to set state goals on a cost per entered-employment standard. Beginning in PY 88, states were also required to start collecting data on employment status and earnings 13 weeks after termination, from telephone follow-up contacts with a sample of terminees.

Under EDWAA, DOL has shifted the emphasis of performance standards from statewide performance to substate performance and has required each state to establish numerical performance standards for each of its substate areas on the entered-employment-rate standard. For PY 89, the national departure point for this standard was set at 64%, and an optional adjustment model was provided to adjust substate numerical standards in response to client characteristics and labor market conditions. States were also encouraged to set numerical goals for a second optional federal standard—average wage at termination—and were permitted to set additional program standards and goals.

The EDWAA legislation specified that performance standards should include measures related to placement and retention in unsubsidized employment. However, although collection

of postprogram employment and earnings data continued to be required for EDWAA participants, no federal postprogram standards were implemented for PY 89.

States may implement financial incentives to reward high-performing substate areas for their performance on the required federal standard and any optional federal and/or state standards. Eventually, states will be required to impose negative sanctions on substate areas that fail to meet the required federal standard. However, because PY 89 is the first year of substate operations under EDWAA, most states did not plan to impose sanctions for failure to meet performance standards during this program year.

Performance Standards Implemented—During PY 89, all 15 states implemented the required entered-employment-rate standard. Eight states implemented this standard as a single statewide numerical standard, without adjusting for local conditions or client characteristics. Four of these states set the statewide standard at the national departure point of 64%; one set the statewide standard at 65%, one at 70%, and two at 75%. Two states that implemented this standard on a statewide basis permitted substate areas to request that the federal adjustment model be applied to their local standard. In one state, local adjustments according to the DOL model could be made at substate area initiative; in the other state, substate areas had to petition for use of the DOL adjustment model. The remaining seven states implemented the entered-employment-rate standard using the DOL adjustment model, with 64% as the departure point for the model.

Only three study states implemented an average wage-at-placement performance standard. Two of these states used the DOL adjustment model provided for this standard, while one state implemented a statewide numerical standard set at $6.50 per hour. This state permitted SDAs to adjust their local numerical standards using the DOL adjustment model, if they desired. To encourage service to hard-to-serve individuals, this state also permitted substate areas to delete from the wage standard any EDWAA enrollees who were long-term unemployed workers at the time they entered the EDWAA program.

Three additional states decided to establish goals for the average-wage-at-placement measure as a state performance goal. The wage goal was implemented in different ways in these three states. One state implemented average wage at placement as a statewide goal, setting the target level at $8.05 per hour, which had been that state's average placement wage for PY 87. A second state implemented average wage at placement using the DOL adjustment model to adjust

the numerical level of the goal for each substate area. The third state set a goal of $6.50 per hour as a minimum placement wage, and required substate areas to get an individual waiver from the state for each placement that failed to reach this level, by providing a justification of why the placement was appropriate for the individual placed.

Only one additional performance measure was implemented as a required standard in any of the study states. The measure was minimum expenditure rate, and the statewide numerical level required in the one state that implemented this measure as a performance standard was 85%.

A number of additional measures were implemented as performance goals in the study states. These measures included:

- *Average cost per placement*, which was used in three of the study states. In one state, the governor requested each substate area to set its own cost per placement goal. In two other states, statewide average cost per placement goals were set (at $1,800 and $2,500).

- *Wage replacement rate*, which was used in two study states. One state set this goal at 85% of the dislocation wage; the other state set the goal at between 70% and 90% of the dislocation wage.

- *Follow-up employment rate*, which was implemented as a performance goal for PY 89 in only one state, where the statewide numerical goal was set at 73%. Several other states were very interested in establishing follow-up employment standards or goals in the future. Two of these states were planning to implement postprogram standards using UI wage report data, rather than postprogram client contacts.

- *Equitable service levels* for minorities, women, dropouts, older workers, and handicapped workers, consisting of separate numerical performance goals for service levels to each of these groups, based on local population characteristics (one state).

Incentives and Sanctions on the Performance Standards—Most states appeared to be deferring establishing incentives and sanctions for performance until future program years. Only two states said that they would hold substate areas accountable for PY 89 performance on the standards, to the point of reorganizing the substate area if it failed to meet standards in both PY 89 and PY 90. However, several states said that they would require corrective action plans for major performance problems experienced by substate areas during PY 89.

None of study states had implemented financial awards as incentives for high performance during PY 89. One state had definite plans to use 40% funds to reward substate areas for their PY 90 performance on the required EDWAA performance standards, with higher rewards for substate areas that exceeded the standards to a greater extent. Several other states said that they were considering offering incentive awards during PY 90 or subsequent years.

Program Monitoring and Technical Assistance

Technical Assistance—States were often in an uncomfortable position with respect to providing technical assistance to their substate areas in preparing for EDWAA implementation. Some states were reluctant to give up substantial discretion for program design and operation to their substate areas. Other states respected the general JTPA experience and expertise of their SDAs and, as a result, hesitated to provide detailed guidance on how to go about serving dislocated workers under EDWAA. For a variety of reasons, therefore, a number of states tended not to take an active role in EDWAA-specific technical assistance during PY 89.

Eight of the 15 states studied provided low levels of technical assistance to their substate areas in preparing for EDWAA implementation and in ongoing activities during PY 89. Typically, these states held several statewide or regional training sessions on EDWAA before the beginning of PY 89 and responded on an individual basis to questions from substate areas after the start of the program. Technical assistance sessions covered a variety of topics, including eligibility determination, "how to spend the money" (one state organized this training session at the end of the second quarter when substate area expenditures remained substantially below planned levels), and record keeping.

Three states offered moderate levels of technical assistance to their substate areas. One of these states was particularly active before EDWAA implementation in clarifying the respective roles of substate area staff, ES staff, UI program staff, TAA staff, and the state's rapid response contractor, and in emphasizing the need for coordination among these actors. A series of statewide and regional training conferences were held for this purpose. After the implementation of EDWAA, this state's technical assistance role consisted of day-to-day questions and answers between substate area staff and state DWU staff, state JTPA monitoring staff, and MIS staff. Another state held quarterly technical assistance sessions with all substate areas and made available additional technical assistance from a private consulting group, for a nominal fee. The third state held monthly meetings between the DWU staff, SDA staff, and the substate EDWAA service providers (who were mostly regional staff from the state agency in which the DWU was

service providers (who were mostly regional staff from the state agency in which the DWU was located). A strong concern at these meetings was how to coordinate state and substate responsibilities in carrying out "expeditious response" to large- and small-scale layoffs.

The remaining four study states were especially active in providing technical assistance on program design and operational issues to their substate areas. One state provided particularly detailed technical assistance on EDWAA eligibility issues. Initially, this state prepared a detailed manual on how to do EDWAA eligibility determination and intake. On the basis of an initial training session on this manual, the state decided that a lot of "hands-on" technical assistance would be required. Thus, state staff organized a series of intensive meetings with two SDAs at a time to go over eligibility issues. After SDAs had had 2 to 3 months to implement eligibility procedures, a follow-up day-long session was held with each SDA to review eligibility practices and identify problems. Among the particular state technical assistance concerns were the state's desire to limit eligibility to persons without opportunities for reemployment in the occupation from which they were dislocated, and the need to limit retraining to high-demand occupations. The DWU coordinator, who was responsible for day-to-day technical assistance to substate areas, also wanted to overcome what she saw as some traditional SDA "blind spots" regarding how the UI system worked and how to go about doing a statewide job search. Throughout the year, this individual spent lots of time on the phone with intake workers in individual SDAs to provide them with assistance on these issues.

Two other states provided detailed assistance to substate areas in the preparation of their substate plans. One of these states operated planning workshops four times during the year to help substate areas set their own goals. This state also created a $100,000 technical assistance fund to cover the costs of specific technical assistance requested by substate areas. Among the issues that had already been topics of training at the time of the site visit were rapid response procedures, eligibility determination, and follow-up data collection. The other state held EDWAA-related training sessions throughout the year.

The fourth state in this category retained a high degree of centralized state control over its substate areas and provided a high degree of support that resulted in state dominance over local EDWAA program design and operations. State control was exercised through a 30-page state outline for substate plans. After substate plans were prepared, each was carefully reviewed, and most were subjected to a number of substantive revisions before they were approved by the state. Once the state had approved the substate plans, state staff provided intensive support to orient

substate staff to the state's dislocated worker service philosophy and service delivery practices. Staff training in client tracking, counseling, program development, and resource identification was provided by state program managers who maintained close contact with substate area staff throughout the program year. In addition, outside consultants provided by the state conducted workshops for substate area staff in stress management, develop-ment of individual service plans, working with difficult clients, substance abuse, case management, and peer counseling techniques.

Program Monitoring—Monitoring of substate performance generally consisted of two distinct activities: ongoing *desk reviews* of written reports and information available from state management information systems and *field reviews* of program compliance based on on-site reviews of program operations and records.

Desk reviews of substate performance were sometimes performed by the state staff specializing in EDWAA and sometimes by state JTPA staff performing this function for both EDWAA and Title II. Eleven of the 15 study states had state management information systems with client-level data in place for EDWAA; two states were in the process of implementing new information systems; and two states depended on aggregate data provided quarterly by substate areas for program reporting and monitoring. (In one of these states, SDAs submit client-level data tapes to the state twice a year.) Staff performing desk reviews of participant and outcome data generally compared monthly or quarterly summaries with plan data and communicated regularly with substate area staff about program operations and anticipated problems.

Field reviews of program compliance were generally implemented by state staff responsible for JTPA program monitoring as a whole. In some states, checklists for EDWAA compliance issues were incorporated into a single monitoring checklist. In other states, separate monitoring guides were developed for the EDWAA program, but EDWAA program reviews were conducted at the same time that JTPA program reviews were conducted. As a result of these organizational and staffing decisions, EDWAA field reviews tended to focus on general procedural issues, such as documentation of eligibility, expenditure categories used for different activities, and procurement practices, rather than assessments of whether program services were effective for the targeted dislocated worker population.

Fiscal Accountability

One of the weaknesses of the previous Title III program was the general pattern of low expenditure rates and large carryover of funds from year to year. EDWAA was designed to correct this problem by making states subject to federal recapture of funds if less than 80% of EDWAA funds were expended each program year. Thus, states have a clear incentive to promote the full spendout of EDWAA funds at the state and substate levels. This section describes the various expenditure monitoring and intrastate fund recapture procedures implemented by different states to assist them in meeting their overall 80% expenditure requirement.

States used several different mechanisms to try to ensure that they would meet the 80% federal expenditure requirement, including:

- Setting expenditure requirements for substate areas at various points during the program year (e.g., at 6 months, 9 months, and at the end of the year).
- Monitoring expenditures by substate areas and other contractors on a regular basis, either monthly or quarterly, to heighten awareness of expenditure goals and to provide the basis for pressuring substate areas to make voluntary deobligations or initiating mandatory recapture procedures.
- Encouraging voluntary deobligation during the program year by substate areas that were spending their funds more slowly than the required expenditure levels.

Expenditure Requirements

Twelve of the 15 states required substate areas to expend 80% of available program funds by the conclusion of PY 89*; two states required expenditures of 85%; and one state required expenditures of 90%.

Monitoring Practices

All states had expenditure reporting systems to monitor substate area expenditure levels monthly. In monitoring interim substate expenditure rates, some states computed expenditures

* One of these states set a statewide performance standard of expenditure of 85% of available funds during PY 89, but permitted substate areas to carry forward 20% of the preceding year's funds to the next program year.

to date as a percentage of total available funds, while other states computed expenditures to date as a percentage of budgeted expenditures to date. Some states required substate areas to be somewhat "ahead of the game" at interim expenditure evaluation points. For example, one state required substate areas to have expended 70% of the funds by the end of the 6th month of the program. Other states, expecting that substate area expenditures would increase during the second half of the program year, required only 40% of the funds to be expended by the end of the 6th program month.

Some states monitored substate area expenditure levels closely each month, while other states paid most attention to substate area expenditure levels computed at the end of each quarter. A few states monitored expenditure levels quarterly until the 6th program month, and then monthly during the last 6 months of the program year. Before promoting voluntary deobligation or initiating mandatory recapture of underexpended funds, most states offered technical assistance to help substate areas overcome their expenditure problems and required the development of corrective action plans.

Voluntary Deobligation Procedures

Nine states encouraged substate areas that were slow to expend their funds during the program year to deobligate these funds voluntarily. Eight of these states used voluntary deobligation to supplement mandatory recapture provisions; one state depended exclusively on voluntary deobligation to encourage substate areas to meet their expenditure goals. In some states, voluntary deobligation "deals" were arranged by pairs of substate areas, one of which agreed to give excess funds to the other. In other states, funds voluntarily deobligated by one substate area were returned to the state for reallocation to substate areas that wanted additional funds.

Some states had hoped that voluntary deobligation would preclude their having to impose mandatory recapture of underexpended funds. Although this hope appeared to have been realized in some states where substate areas voluntarily gave up excess funds, substate areas in other states did not volunteer to give up funds, even when they were dramatically under their required expenditure levels.

Mandatory Recapture Procedures

Fourteen of the 15 states had procedures for mandatory recapture of underexpended funds from substate areas and state contractors. States developed a variety of schedules for the recapture of underexpended funds. Five states initially planned to begin mandatory reallocation of funds early in the program year (by the end of the 3rd month), although only two states actually carried through with the threat to recapture funds early when faced with underexpending substate areas. One state recaptured funds from six substate areas at the end of the first quarter and from another two substate areas at the end of the second quarter. Another state recaptured some funds from a project that was late to start up. Two states deferred the recapture of funds to the end of the 6th month, and one state backed down and said it would recapture underexpended funds only at the end of the program year.

Four states planned to recapture funds from substate areas with low expenditure levels beginning at the end of the 6th program month. Of these states, three had substate areas with expenditure problems but decided not to enforce their 6-month recapture procedures. One of these states deferred recapture until the end of the 9th month, and two states delayed mandatory recapture until the end of the program year.

Five states did not plan to recapture funds until late in the program year. One state planned to recapture unexpended substate area funds at the end of the 9th program month but instead deferred recapture until the end of the program year. The remaining four states had no provisions for interim recapture of unexpended funds and planned to withhold funds from the next year's allocation to make up for funds not expended as required during PY 89.

Thus, even though a majority of states had designed policies calling for interim mandatory reallocation of funds to promote expeditious spendout of funds, only five states actually carried through on their policies during PY 89. Some states were inclined to make allowances for substate area inexperience in operating EDWAA programs; others found it politically more acceptable to recapture funds only at the end of the program year.

States that did recapture unexpended funds during the middle of the program year found that they had a new problem: how to reallocate these funds to substate areas that could use them. Some states encouraged direct negotiations between a substate area that was to give up funds and one that wanted to receive additional funds; other states conducted an informal survey of substate areas to see which ones wanted more funds; still other states developed formulas for

redistributing funds to substate areas that were neediest according to some objective measure of need. One problem with interim allocations was that the funds had to be expended by the recipient substate area during the same program year in which they were received. In contrast, if a state met the federal expenditure rate requirement, it could redistribute forfeited funds from underexpending substate areas to other substate areas at the beginning of the next program year.

Follow-up telephone contacts with the 15 study states at the end of the program year revealed that 3 states thought that they would probably have to return some money to the federal government for failure to expend 80% of EDWAA funds for PY 89 at the state level. These states included one state that had depended only on voluntary deobligation procedures to encourage substate expenditures, one state that did not impose mandatory recapture and reallocation of funds until the 9th month of the program year, and one state that did not recapture underexpended funds until the end of the program year. Two of these states had expected that voluntary deobligation would be effective in solving underexpenditure problems. However, in one state, only one substate area voluntarily deobligated funds, and in the other, no substate areas voluntarily deobligated.

USE AND ADEQUACY OF STATE FUNDS

Under EDWAA, a maximum of 40% of all state funds may be reserved by the governor for state activities, including rapid response; statewide, regionwide, or industrywide projects; and discretionary allocations to substate areas. States have great latitude in how these funds may be spent. The law specifically requires each state to limit expenditures for administration and supportive services to 15% and 25%, respectively. As described in previous sections, states generally expended very low percentages of their state budgets on supportive services and deferred to substate discretion in the provision of supportive services from substate formula allocations. This section reviews the extent to which the study states budgeted their 40% funds for administrative, rapid-response-related, and other costs. In addition, we describe whether the level of PY 89 funding received by the study states was considered adequate and the extent to which states supplemented their formula allotments in PY 89 with state-level funds or discretionary grants from the Secretary's national reserve fund.

Cost Categories

The official expenditure categories created for EDWAA are: rapid response, basic readjustment services, retraining, supportive services, and administration. States used these categories in creating their official state EDWAA budgets and in monitoring expenditures at the state and substate levels. In practice, however, there was substantial variation in how different states and substate areas reported costs in these various categories. At the state level, the most important variations in state practice concerned the distinction between rapid response activities and administration. States varied in the extent to which they considered the costs of DWU staff an administrative or a rapid response cost. In addition, some states charged the costs of state rapid response contractors to the administration category, while others charged the costs of these contractors to rapid response.

In planning their 40% budgets, states also distinguished between state-initiated projects and discretionary grants to substate areas. The nature of state projects varied from state to state. In some states, state projects were limited to projects of statewide, regionwide, or industrywide importance. In other states, state projects included direct grants to state contractors for the operation of plant-specific projects. Finally, some states also funded one or more state contractors (other than substate areas) for the provision of general services to dislocated workers.

State Administrative Costs

The 15 states budgeted between 4% and 15% of their 40% funds for administrative costs. Four states budgeted less than 10% of their state EDWAA funds for administration. Two of these states had very small DWU staffs. In these two states, the size of the EDWAA staff at the state level and state administrative costs were constrained more by state hiring freezes than by the 15% administrative expenditure limit. In another state, the state legislature had established rigid limits for expenditure categories for the EDWAA program. Administrative expenditures in this state were limited to 10% overhead on several specific categories of statewide projects and plant-specific projects. As a result, this state's administrative expenditures totaled about 4% of its total 40%-funds budget. Even these limited expenditures had to be shared between the state and its substate grantees receiving plant-specific project funds. These three states had a difficult time administering the EDWAA program within these tight budget limits. The fourth state with a low administrative budget charged its entire DWU staff as a rapid response cost, rather than an administrative cost, and did not have difficulty meeting its administrative budget of 5% of state 40% funds.

Three states budgeted 10% or more, but less than 15%, of their state budgets for administrative costs. Each of these states charged the costs of its DWU staff to the rapid response category rather than the administration category. The 15% administrative ceiling was not considered problematic in these states. In one state, the state kept only 5% of the administrative budget for its state-initiated projects and gave 10% to its local contractors. A respondent in one of these states said that they had budgeted less than 15% for administrative costs so that if they had overestimated their total PY 89 expenditures, they would still be in compliance with the 15% administrative expenditure requirement.

Seven study states budgeted their administrative expenditures at the full 15% possible under the EDWAA legislation. Although one of these states had budgeted a relatively low percentage for rapid response expenditures, the other states in this category also set aside substantial portions of their 40% budgets (20% or more) for rapid response costs. Most of these states shared administrative costs with their state contractors. However one state budgeted its full 15% administrative budget for state-level expenditures. When this state awarded nearly 60% of its 40% funds to substate areas in the middle of the year (because of underexpenditure at the state level), it did not have any administrative budget left to share with the substate areas to administer these 40% funds.

The last state did not appear to distinguish between rapid response and administrative costs in its EDWAA budget; 66% of the total state budget was allocated to the combination of these two categories. The actual demand for rapid response at the local level eventually resulted in an even higher percentage of the state 40% budget being used in this category.

Rapid Response Costs

Budgeted rapid response costs at the state level ranged from 2% to 30%. The percentage allocated to this cost category varied according to whether the costs of DWU staff were allocated to this category, the size of the state DWU, and the range of activities that were carried out at the state level to coordinate and provide rapid response. In most states, all rapid response costs were incurred by state agency staff or state rapid response contractors. However, one state delegated all rapid response functions to its substate areas and made provision for awarding state funds to support rapid response costs incurred at the substate level.

Rapid response activities planned in the study states included the following specific expenditure items:

- Costs of state DWU staff (at least 10 states).
- Contracts with ES to provide assistance in rapid response and to coordinate EDWAA with the UI and TAA programs (four states).
- Contracts with state labor organizations for their assistance in rapid response (at least five states).
- Costs of setting up an information system to track WARN notifications and rapid response activities (one state).
- Costs of supporting labor-management committees (two states).
- Costs of conducting prefeasibility assessments to prevent layoffs at firms that gave WARN notifications (three states).

Costs of State Projects

Plant-Specific Projects—Eight of the study states planned to use part of their state funds for plant-specific projects. The percentage of the state 40% budgets set aside for plant-specific projects ranged from roughly 10% to over 70%. In some states, the grantees of plant-specific project funding were substate areas; in other states, the state agency wrote service contracts directly with program operators.

Contracts with State Agencies—Seven states used state funds to contract with one or more state agencies for basic readjustment and/or retraining services provided to dislocated workers. Four states contracted with the state department of education or vocational education with 30% to 60% of the state share of EDWAA funds. In two states, the purpose of these contracts was to help subsidize the cost of training for participants enrolled by substate areas in training at state-approved educational institutions. In two states, the contract with the state educational agency was for the purpose of developing customized or vestibule training targeted to particular employers as part of an economic development strategy.

Four states used 40% funds to contract with the state ES for basic readjustment and/or retraining services. The proportion of total state-level EDWAA funds used for this purpose ranged from 40% to 75%. In three of the four states, the ES was responsible for intake and

eligibility determination for all EDWAA applicants statewide. In addition, one state contracted with the ES for the provision of all assessment and basic readjustment services statewide and for the referral of dislocated workers to substate areas for retraining services. Another state contracted with the ES to provide all basic readjustment and arrange for retraining services to individuals affected by mass layoffs (leaving substate area formula funds for services to individually recruited dislocated workers). In a third state, the ES developed OJT contracts with specific employers in an economic development context. The fourth state that contracted with the ES used these funds to expand local ES staff serving dislocated workers in local areas with high dislocation and/or large-scale layoffs. (In this state, the ES system was also used as the provider of formula-funded EDWAA services by all but three of the state's substate areas.)

Formula Funding to Substate Areas—Five of the study states allocated from 7% to over 50% of their 40% funds to substate areas by formula. In two states, this allocation was planned and funds were shared with substate areas at the beginning of PY 89. In one of these states, the state legislature mandated that the state retain only 33% of all EDWAA funds at the state level; in the other state, the state shared over 30% of its state-level budget with substate areas to help pay for the training costs for enrollees carried over from the Title III program. Three other states made midyear allocations of 40% funds to substate areas when it appeared that they would have difficulty expending the 40% funds at the state level.

Other State Projects—Seven states budgeted a portion of their state funds for other state-initiated projects. Some states used 40% funds to contract directly with substate areas or local or statewide service providers for services to individually recruited dislocated workers. Examples include one state that used 70% of its state set-aside funds to contract with 12 different program operators (other than substate areas) to serve dislocated workers in a number of local areas around the state, and another state that used 40% funds to create "flexible capacity service centers" in areas with high dislocation.

Other states used state 40% funds for special projects that were of regionwide or industrywide importance or that provided an incentive for the design of innovative projects. Examples include one state that used about 20% of its 40% funds to approve discretionary projects for particular industries experiencing substantial dislocation, and another state that used 65% of its funds for a variety of special projects, many of which were oriented toward encouraging entrepreneurship and furthering economic development objectives.

Adequacy of State Funds

Sources and Levels of State Funds—The level of funding available for state 40% expenditures from EDWAA formula allotments ranged from slightly over $800,000 to nearly $10 million in the 15 study states. Seven states had 40% budgets that totaled less than $2 million; four states had 40% budgets between $2 million and $5 million; and four states had 40% budgets larger than $5 million.

During PY 89, the initial state allotment was supplemented by several midyear allotments in most states. These supplemental allotments included a redistribution of PY 88 Title III funds recaptured from states that did not meet the required 70% expenditure level for the transition year and distributed to states that did meet their PY 88 expenditure requirement, and a "special initiative" allotment of unexpended funds from the Secretary's reserve for PY 88. These supplemental allotments increased total funding levels in the study states by roughly 10% to 15%.

In addition, four of the study states used state general revenue funds, in amounts ranging from $450,000 to $3 million, to supplement federal EDWAA funds in the provision of services to dislocated workers. Two states provided state funds for specific groups of dislocated workers: dislocated farmers and coal miners in one state and dislocated farmers in the other state. The other two states supplemented the level of funding for all dislocated workers. In addition, one of these states operated several special projects to revitalize specific declining industries.

Several states also operated state-funded programs to provide training funds to specific employers oriented to prevention of layoffs. One of these states previously had used Title III funds extensively for training to prevent layoffs, and was disappointed when DOL ruled that this activity was not an eligible use of EDWAA funds.

Adequacy of State Funds—In follow-up telephone conversations at the conclusion of PY 89, respondents in 11 of the study states said that their states' funding levels had been adequate in PY 89. Several states had had difficulty spending 80% of the available funds, and three states indicated that they would probably have some funds subject to federal recapture when the PY 89 closeout computations were completed. Nevertheless, respondents in most of these states said that they expected expenditure levels to increase substantially in PY 90, for one or more of the following reasons:

- The state would be starting PY 90 with more funds already obligated for services to clients currently in training.
- The substate areas and local program operators would be more experienced next year.
- Local programs would be more effective in targeting outreach efforts to eligible dislocated workers.

Respondents in four states said that PY 89 funding levels had not been sufficient to meet their needs. The most severe case of insufficient funding occurred in a state with a low unemployment rate but a high rate of economic dislocation. Because the federal allotment formula is based entirely on measures of unemployment, this state received a low level of EDWAA funding and was able to allocate federal EDWAA funds to only half its substate areas.

Three other states that had experienced high levels of mass layoffs said that they could have used additional funding. In one state, five substate areas had spent all their training funds by December, and all substate areas had been forced to cap training costs per trainee at a level that precluded serving workers from some "high tech" fields. Another state had exhausted its 40% reserve fund for discretionary grants to substate areas before the end of the year. The third state had exhausted its 40% funds in supporting the rapid response activities in local areas and wanted to be able to pursue more statewide outreach and marketing and economic development linkages at the state level than it had been able to do during PY 89.

Use of Secretary's National Reserve Funds—Some of the study states tried to coordinate all applications for Secretary's national reserve funds at the state level, while other study states played a less active role in preparing applications for projects to be operated at the substate area level.

A number of the study states had submitted applications for national discretionary projects in PY 89 at the time of our site visits. At least six of these states received one or more national discretionary grants. Two states received multiple discretionary grant awards totaling over $2 million. The 40% budgets in both these states had been insufficient to respond to all the mass layoffs that occurred during PY 89. National reserve funds were used to support plant-specific projects in both states. One state also received funding for several industrywide projects and a large grant for workers displaced by a natural disaster.

Several additional states were each awarded a national discretionary grant for a single project. One state received a grant for a project serving farmers and their families in a local area with substantial farmer dislocation. Two states received grants to serve migrant seasonal farmworkers affected by natural disasters. Another state was awarded a grant to respond to a very large plant closure by a major state employer.

SUMMARY OF STATE ROLE IN EDWAA

Among the 15 states studied, the state's role in EDWAA was strongly related to its role in the previous Title III program. Below we discuss the roles played by three types of states: (1) those with a centralized delivery system, (2) those with strong control over a decentralized program, and (3) those that gave SDAs a strong role in Title III.

States with Centralized Delivery Systems Under Title III—Five of the states studied had organizational structures for the previous Title III program that were highly centralized, with a very limited number of state contractors providing dislocated worker services for the entire state. Each of these states previously contracted with one or more state agencies for the provision of services to dislocated workers through a network of district offices. Three states used the state ES as the primary operator of Title III services, while two states contracted directly with the state vocational education agency to provide classroom training to dislocated workers and with other contractors to perform intake and assessment and provide on-the-job training (OJT).

The states with centralized Title III designs did not have any history of linkages with SDAs or other local service providers on which to build a substate delivery system for EDWAA. In addition, four of the five states with centralized designs had not previously emphasized rapid response as part of their Title III programs. These states had oriented their previous Title III programs primarily to individual dislocated workers (recruited by local ES/UI workers or vocational training operators) rather than to workers affected by mass layoffs or plant closures. The fifth state had a well-developed rapid response system in place long before EDWAA and had a history of administering plant-specific projects, in addition to maintaining the statewide contract for services to individual dislocated workers.

Thus, these five states required substantial changes in the organization and design of their dislocated worker programs to conform to the EDWAA legislation, both to provide rapid

response and to create a substate delivery system. Three states set up a rapid response system within the state agency responsible for EDWAA implementation, and one state expanded the scope of its rapid response activities. The fifth state contracted with its former Title III provider—the state ES—for rapid response efforts.

Like the other states included in the study, the states that had previously used centralized organizational structures under Title III designated SDAs as the substate grantees for EDWAA. However, most of these states managed to retain a strong role in EDWAA operations through a variety of methods. In two of these states, the largest SDA was administered by the state agency responsible for EDWAA administration, permitting the state to continue direct control of a majority of the substate funding. Two other states, which had previously used the ES as the centralized operator of Title III services, encouraged their new substate grantees to contract with the ES for the delivery of EDWAA services. Most substate areas responded positively. The result is that the ES still operates the program in most substate areas in these two states but is responsible to the substate areas rather than to the state for program direction and oversight.

A strong state role was also ensured in four states by using 40% funds to continue to fund the previous Title III contractors to carry out specific EDWAA services. Three states contracted with the ES for many 40%-funded services, and the fourth state continued to write 40%-funded contracts with both the state vocational agency and the state ES.

Each of these states tried to differentiate the 40%-funded services from the substate-area-operated programs. In one state, a substantial portion of 40% funds was oriented toward economic development objectives by supporting OJT and customized training for new employers and employers with expanding workforces. In two states, 40% funds were intended to be used for basic readjustment and retraining services for individuals recruited from large-scale layoffs, while substate-area-operated programs were supposed to focus on the needs of individually recruited dislocated workers. In the fourth state, 40% funds were supposed to take care of intake, eligibility determination, and the provision of basic readjustment services for all dislocated workers statewide, leaving the substate areas to provide retraining to dislocated workers referred by the ES. At least as important as the stated rationale for these service contracts, however, was the fact that these organizational arrangements permitted these four states to continue to exercise substantial control over the design and delivery of EDWAA services.

The fifth state that had previously operated a centralized Title III program did not try to retain state-level control over 40%-funded services. This state gave some 40%-funded service dollars directly to substate areas, by formula, to encourage the provision of long-term training and reserved other 40% funds for discretionary grants for plant-specific projects, for which they encouraged SDAs to apply.

States with Strong Control of Decentralized Systems Under Title III—Eight of the states included in the study had used a variety of different service providers under Title III but had retained strong state control over the service delivery system by awarding discretionary grants through a competitive awards process.

Five states contracted with a variety of organizations, among which SDAs were sometimes included, but gave no special consideration to SDAs as potential providers of Title III services at the local level. One of these states had established a Title III substate delivery system by selecting 19 different organizations (generally community colleges) to operate dislocated worker centers around the state. Four other states awarded Title III projects for the delivery of general dislocated worker services to a wide variety of organizations, including community colleges, community-based organizations, proprietary schools, unions, local employment service offices, and SDAs. A sixth state awarded grants to a variety of organizations to operate regional emergency assistance centers in areas with widespread dislocation and for plant-specific projects. Two other states that awarded discretionary grants for the operation of Title III services made these grants exclusively to SDAs but awarded the grants selectively, on the basis of SDA need and interest in serving dislocated workers.

Most of the states in this category lost their direct control over the substate delivery of services under EDWAA because the flow of formula funds to SDAs replaced the previous flow of discretionary funds to state-selected program operators. Staff from several of these states expressed regret at losing the ability to control substate service delivery mechanisms and program designs directly. One respondent said his state was unhappy that SDA staff appeared to be integrating EDWAA services with Title II-A services rather than operating distinct EDWAA services. Other states in this category were more optimistic that they could support SDAs in the development of creative and effective programs responsive to the needs of dislocated workers by providing policy guidance and technical assistance.

In contrast, one of the states in this category retained strong state control of the substate EDWAA system by designating program operators, rather than SDAs, as the substate grantees for EDWAA and requiring substate grantees to submit detailed project budgets and service designs to the state as part of each substate plan, subject to state review and approval. This state also funded substate grantees with a combination of EDWAA dollars and state general fund dollars, which gave the state additional control over substate activities.

The states with previously strong state control of decentralized Title III service systems varied in terms of whether they channeled most of their available 40% EDWAA funds to SDAs or whether they funded other service providers to operate state-administered projects. On the one hand, all of the states in this category awarded at least some of their 40% funds to substate areas. Two states made all their discretionary funds available to substate areas, for the operation of basic readjustment services in one state and for the provision of classroom training in the other state. Another state required all applicants for 40%-funded projects to reach a consensus at the local level about which organization should receive each discretionary project grant. On the other hand, one state continued to fund 12 of its previous Title III operators for services to general dislocated workers without attempting to avoid duplication of effort with SDA local programs, and another state awarded 40% funds directly to the operators of plant-specific projects without giving SDAs any role in administering these local projects.

Each of the eight states with strong state control of decentralized systems under Title III decided to play an active role in rapid response at the state level and expanded its rapid response capabilities as part of the transition to EDWAA.

States That Gave SDAs a Strong Role in Previous Title III Services—Two of the study states had given SDAs a strong role in the design and implementation of previous Title III services. One state had implemented a substate delivery system involving SDAs starting in PY 87, to prepare for the anticipated federal legislative changes associated with EDWAA. The other state had distributed formula funds to SDAs to deliver dislocated worker services since PY 84.

Although the changes required by EDWAA were less dramatic in these states, even these two states had to decide how to share responsibilities with substate areas for the administration of 40%-funded activities. One state continued to delegate most authority for the operation of dislocated worker services to the substate area level by providing 40% funds to SDAs through

discretionary grants for a variety of plant-specific, regionwide, and industrywide projects. This state also chose to decentralize the responsibility for rapid response to the local level, supported by the provision of information, coordination, and technical assistance from the state-level DWU.

The other state retained direct administrative control over all 40%-funded projects, making some discretionary grants for the operation of plant-specific projects and funding other state-level contractors for the operation of state projects to promote entrepreneurial development and economic development objectives. This state also chose to play a strong state role in rapid response activities, using state DWU staff for initial contacts with employers and a state-level contractor for the delivery of prelayoff basic readjustment services to dislocated workers.

SUMMARY AND ISSUES FOR DOL'S CONSIDERATION

Summary of Results

Staffing Patterns

- All states expanded their rapid response functions as part of the transition to EDWAA. The rapid response units created at the state level varied in size from a staff of 1 person to a staff of 8 to 10 professionals.

- In many of the states studied, the individuals responsible for rapid response at the state level were not involved in the administration of other aspects of the EDWAA program, such as substate plan review, contracting with 40%-funded service providers, and programmatic and financial monitoring of state contractors and substate areas. Instead, these functions were performed by staff who carried out a given function for the entire JTPA system.

Client and Service Priorities

- States established client priorities that were influenced by the types of dislocation occurring in the state, as well as by state policies about the relative priorities to be given to different groups within the EDWAA-eligible population. About half the study states gave highest priority to recently laid-off workers (victims of large and/or small layoffs). Another 40% gave equal priority to recently laid-off workers and long-term unemployed workers. One state gave highest priority to long-term unemployed workers.

- State efforts to influence client targeting at the substate level included establishing client targeting criteria to be applied during review of substate plans and program monitoring, spending 40% funds to emphasize services to a particular group, and setting statewide guidelines on the interpretation of EDWAA eligibility criteria. In practice, however, most states deferred to substate client targeting goals as expressed in substate plans.

- Only two states categorically excluded displaced homemakers from EDWAA eligibility. Three states encouraged substate areas to target displaced homemakers as long as it did not interfere with services to eligible dislocated workers. The remaining states permitted, but placed certain limits on, displaced homemaker eligibility.

- States generally deferred to substate areas in the design of specific services for dislocated workers served with formula funds. States were influential, however, in terms of their policies on enforcing the 50% retraining expenditure requirement, the priority placed on the provision of long-term training, and the state policy on the provision of needs-related payments and supportive services to dislocated workers.

  — Most states were enthusiastic about the federal 50% retraining expenditure requirement and encouraged substate areas to meet this requirement rather than requesting waivers.

  — States supported the federal encouragement of long-term training, although with somewhat less enthusiasm in some states. Several states were in the process of designing mechanisms to encourage substate area performance in this area.

  — Almost without exception, states had declined to provide supportive services to EDWAA participants from state-directed funds and left the design and delivery of supportive services to substate discretion to be paid for out of substate formula funds. However, many states actively discouraged the provision of needs-related payments to dislocated workers. In the absence of strong state encouragement, most substate areas made supportive services a low priority and declined to offer needs-related payments to dislocated workers.

Designation of Substate Areas

- States almost always chose to make the geographic areas of substate areas the same as SDA jurisdictions. Only one of the study states made a single exception, by combining the areas of three SDAs to form a single substate area for its largest metropolitan area.

- Furthermore, 14 of the 15 study states selected Title II-A grantees (SDAs), with a few minor exceptions, as the agencies to receive substate funding under EDWAA. The reasons for this choice included the desire to avoid setting up a new substate structure and unnecessary duplication of overhead costs when the SDA structure already existed; the fact that SDAs had a demonstrated capacity to design and administer employment and training services; and, in a number of states, political pressure to designate SDAs as substate areas for EDWAA. Relatively little consideration was given to whether SDAs were experienced in providing services to dislocated workers.

- Although SDAs gained administrative control of local services for dislocated workers, the actual delivery of services was not always transformed under EDWAA. In a number of states, substate areas continued to contract with service providers that had provided dislocated worker services under Title III. However, other substate areas merely expanded their existing Title II-A service system for economically disadvantaged clients, without really differentiating client flow or services offered to the two groups.

Distribution of Funds to Substate Areas

- Over half of the study states used all six federally required factors to distribute EDWAA formula funds to substate areas, while the remaining used from three to five of the required factors.

- Generally, states were better able to develop adequate measures and generate reliable data for the three factors measuring unemployment levels, excess unemployment, and long-term unemployment than for the remaining federal factors and gave these three factors more weight than the remaining factors.

- Although the federal factors measuring plant closings and mass layoffs, declining industries, and farmer and rancher economic hardship are more directly related to economic dislocation and the need for dislocated worker services, the states studied had a much more difficult time developing measures and locating reliable data for these measures and gave these factors less weight in their allocation formulas.

- About half of the states contacted at the end of PY 89 indicated that the substate allocation formula had turned out to be a good predictor of the level of need for local dislocated worker services, while the other half identified problems with the formula allocation. However, few respondents had specific suggestions about how to change the factors in the formula to improve the resulting resource distribution patterns.

- States indicated that they were prepared to tolerate a certain amount of imprecision in the substate funding allocations by holding state funds in reserve for unmet needs, by encouraging substate areas to voluntarily

deobligate excess funds, and by implementing midyear mandatory recapture of funds from substate areas with low expenditure rates, if necessary.

- Ten percent funds were distributed by formula at the beginning of the program year in two-thirds of the study states, so that substate areas could include these funds in program design and operations from the outset.

- The remaining states distributed the 10% funds through discretionary grants during the first half of the program year. These states found that holding 10% funds in reserve enabled them to make sure that substate areas could use additional funds before awarding these grants and/or enabled them to create an emergency reserve for large-scale layoffs.

Ensuring Program and Fiscal Accountability

- During PY 89, all states implemented the entered-employment-rate standard. Over half the study states used a single statewide numerical standard, set at a level that ranged from 64% to 75%. The remaining states used the DOL adjustment model to set substate area standards, with 64% as the departure point for the model.

- Only three states chose to implement the average-wage-at-placement standard as a required performance standard, but three additional states implemented this measure as a state performance goal. A number of additional measures were also implemented in different states as performance goals.

- Most states deferred the implementation of both positive and negative sanctions associated with performance on the EDWAA performance standards until future program years. None of the study states implemented financial rewards for high performance on the standards during PY 89.

Program Monitoring and Technical Assistance

- For a variety of reasons, a number of states tended not to take an active role in EDWAA-specific technical assistance during PY 89. Some states regretted the loss of the control of substate program operations to substate areas. Other states felt that they were not in a position to advise SDAs because of the SDAs' extensive experience in operating employment and training programs.

- About one-third of the study states did actively assist SDAs to develop substate plans for EDWAA and provided extensive technical assistance in one or more aspects of program design or program implementation.

- Program monitoring generally consisted of monthly desk reviews of written reports and field compliance reviews based on on-site reviews of program operations and on-site documentation.

- Field reviews were usually performed by state staff responsible for JTPA program monitoring as a whole. As a result, EDWAA field reviews tended to focus on general procedural issues, rather than on assessments of whether program services were appropriate or effective for the targeted dislocated worker population.

Fiscal Accountability

- All states had expenditure reporting systems in place that made possible monthly monitoring of substate area expenditure levels. Some states monitored substate area expenditure levels closely each month, while other states paid most attention to substate area expenditure levels computed at the end of each quarter.

- States used a variety of different mechanisms to ensure that they would meet the federal 80% expenditure requirement. These included:

  — Setting required expenditure goals for substate areas for various points during the program year (e.g., at 6 months, at 9 months, and at the end of the year).

  — Imposing or threatening substate areas with mandatory recapture procedures, either during or at the end of the program year.

  — Encouraging voluntary deobligation during the program year by substate areas that were failing to meet their interim expenditure goals.

- Two-thirds of the study states encouraged substate areas that were slow to expend their funds to voluntarily deobligate these funds during the program year. This procedure, it was hoped, would preclude the need to impose mandatory recapture of underexpended funds. This strategy appeared to work in some states and not in others.

- All but one of the study states had procedures for the mandatory recapture of funds from substate areas and state contractors that failed to meet their expenditure requirements by the end of the program year.

- Two-thirds of the states studied also had policies calling for interim recapture of underexpended funds during the program year. However, when faced with individual delinquent substate areas, only half of these states (one-third of the study sample) actually recaptured funds before the end of the year.

- States that did recapture unexpended funds during the middle of the program year found that they had a new problem: how to reallocate these funds to substate areas that could use the funds and could expend them during the same program year.

Use and Adequacy of State Funds

- States budgeted between 4% and 15% of their state set-asides for administrative costs. These costs sometimes included the cost of DWU staff. Most states shared administrative overhead for 40%-funded projects with their state contractors.

- Several states budgeted slightly less than 15% for their administrative costs, so that in case they had overestimated their total 40% expenditures, they would still meet the federal 15% administrative expenditure limit.

- Budgeted rapid response costs ranged from 2% to 30% of all planned state set-aside expenditures. In most states, all rapid response costs were incurred by state agency staff or state rapid response contractors. However one state made provision for using 40% funds to support rapid response costs incurred at the substate area level.

- About half the study states planned to use part of their state set-aside funds as reserves for plant-specific projects. The proportion of the state budget set aside for this purpose ranged from roughly 10% to over 70%.

- About half the study states used 40% funds to write contracts with one or more state agencies to pay for the costs of basic readjustment and/or retraining services for dislocated workers. From 30% to 75% of the state set-aside budget was used for this purpose in these states.

- One-third of the study states gave 7% to over 50% of their state set-aside funds to substate areas by formula. This was planned in advance in two states, and was initiated midyear in the remaining states when it appeared that they might have difficulty spending enough 40% funds at the state level.

- About half the study states budgeted a portion of their state 40% funds for other state-initiated projects. Sometimes these projects were of regionwide, industrywide, or statewide importance. In other states, 40% funds were used to contract directly with substate areas or service providers for local services to individually recruited dislocated workers.

- Respondents in 11 of the 15 study states said that their state's funding levels had been adequate in PY 89. Two or three states expected to have to give some funds back to the federal government for failure to meet the 80% expenditure rate at the state level.

- Respondents in four states said that PY 89 funding levels had not been sufficient to meet their needs. Two of these states received over $2 million in discretionary grants from the Secretary's national reserve fund during PY 89.

- Many states said that they expected to spend out funds more quickly during PY 90 because substate areas were more experienced in program administration, outreach and recruitment practices for dislocated workers were already in place, and they were starting the year with a higher level of funds already obligated for services to carryover clients attending long-term training.

State Role in EDWAA

- States that had previously operated highly centralized programs under Title III were required to make substantial changes in the organization and design of their dislocated worker programs to conform to the EDWAA legislation. However, most of these states managed to retain a strong role in EDWAA operations through a variety of methods, including directly administering the largest substate area in the state, encouraging substate areas to contract the operation of EDWAA services back to the state ES, and retaining strong state control of 40%-funded projects.

- States that had controlled the flow of discretionary grants to a variety of local providers under Title III generally gave up substantial control of local program operations to substate areas under EDWAA. Some states expressed regret at losing the ability to control substate service delivery mechanisms and program designs directly. Other states in this group were optimistic that they could support SDAs in the development of effective programs by providing policy guidance and technical assistance.

- Several states had previously given local areas a strong role in the design and operation of dislocated worker services under Title III. These states had to make less dramatic changes in their state organization and operational roles under EDWAA. However, some states in this category retained strong control over the administration of 40%-funded projects.

Issues for DOL Consideration

State Versus Substate Roles in EDWAA

During the first year of EDWAA operation, states have emphasized the implementation of program organizational structures and management systems that ensure that state and substate practices meet basic standards for program compliance and fiscal accountability. However, wheras states have embraced their role in ensuring program compliance and fiscal , they have been less active in assuming a strong leadership role in the areas of client targeting, program design, and technical assistance to support the appropriateness and effectiveness of substate services for dislocated workers.

Although a few states have tried to maintain a strong state role in EDWAA by influencing substate program operations, most states have deferred to substate discretion in client targeting decisions and in the design of formula-funded services. Instead, a number of states have retained control over the design and operation of 40%-funded projects, rather than delegating administrative control of these projects to substate areas. Thus, the general pattern seems to be that states and substate areas are each establishing their own separate and distinct areas of EDWAA program authority rather than forming a single integrated statewide system of services to dislocated workers.

Several study states have demonstrated an alternative approach by providing strong state policy guidance to substate areas in terms of setting client priorities, clarifying EDWAA eligibility categories and documentation procedures, attempting to disseminate effective program models, and encouraging SDAs to differentiate between the needs of dislocated workers and economically disadvantaged individuals in designing EDWAA service options. Although SDAs are not used to accepting a strong state program design role under the JTPA Title II-A program, it may be important to encourage states to continue to be active in EDWAA program design to create effective linkages between rapid response and basic readjustment and retraining services and to create a coherent statewide service system for dislocated workers.

Emphasis on Expenditure Outcomes

It is appropriate for states and substate areas to be concerned about expenditure rates because encouraging timely expenditures is one of the objectives of the EDWAA legislation. Nevertheless, it is somewhat disquieting that monitoring and oversight of expenditure rates are receiving more attention at the state and substate levels than is concern about program service quality and the quality of employment outcomes for dislocated workers. DOL may want to encourage states to provide technical assistance not only on "how to spend the money" but also on "how to spend the money well." This will require states and substate areas to devote more attention to technical assistance on the details of program design, curriculum design, client flow, and monitoring of reemployment outcomes.

SECTION B
DESIGN OF EDWAA

IV SUBSTATE ORGANIZATION AND DESIGN OF EDWAA

INTRODUCTION

The EDWAA legislation gives substate areas important roles in both the design and delivery of EDWAA services. This chapter explores several issues concerning substate areas' design of EDWAA services, including:

- How substate areas are organized and staffed to provide EDWAA services.
- What priorities have been established for the types of dislocated workers to be served, the types of services to be provided, and the performance to be achieved.
- How substate areas have budgeted their funds and whether the funds are adequate to meet the needs of dislocated workers in each area.

The subsequent chapter will explore the combined state and substate design of labor-management cooperation and coordination with other agencies. Substate operations of EDWAA programs are included in Section C of this report.

ORGANIZATION AND STAFFING

This section examines four issues in substate organization and staffing of EDWAA. First we discuss the role of local policymakers, specifically the Private Industry Council (PIC) and local elected officials (LEOs), both of whom the EDWAA legislation gives a role in EDWAA design. Second, because most substate areas are also Title II-A SDAs, we examine the extent to which the staffing and service delivery of these two programs differ. Third, we examine the extent to which substate areas provide services directly or contract with service providers for services to dislocated workers. Fourth, we examine the extent to which substate areas and providers have previous experience in providing services to dislocated workers.

Influence of Local Policymakers on EDWAA Design and Operations

The EDWAA legislation specifically calls for PICs and LEOs to participate in EDWAA design in two ways: selecting the substate grantee along with the governor, and reviewing and commenting on the substate plan. However, because most substate areas are Title II-A SDAs

and because PICs and LEOs have a larger role in that program, in several substate areas the PICs and LEOs were quite influential in EDWAA design.

PIC Influence—In slightly over half of the substates, the PIC had considerable influence in the design and operations of EDWAA programs. Some PICs had extensive oversight functions. For example, in one substate area the PIC developed explicit program goals, performance goals, and methods of operation for the substate area to follow. In another substate area, the PIC defined client and service priorities. Another PIC was instrumental in selecting service providers to run EDWAA programs.

In the remaining substate areas, PICs were much less influential, deferring most decisions to the substate administrative entity and performing purely oversight and approval functions. In some cases, this arrangement signified PICs' confidence in the substate area staff's ability to administer EDWAA programs. In a few substate areas, however, the arrangement signified the PIC's lack of detailed understanding of the EDWAA program.

LEO Influence—In several substate areas, LEO influence was very strong. In these areas, political leaders considered employment and labor policies important and, through a variety of mechanisms, established considerable control over EDWAA program design and operations. One substate area served a large metropolitan area that crossed multiple political districts. The mayor's office, the city council, and local labor unions were very active in implementing EDWAA, particularly with funding decisions.

Another substate area served a large metropolitan area that also covered several SDAs; EDWAA was administered through a committee of local elected officials—judges, mayors, and county commissioners—and PIC representatives from all SDAs, counties, and the largest cities. This consortium of LEOs developed a special administrative unit to contract with service providers and conduct monitoring and oversight activities. The number of dislocations in the area was very high, and the LEOs took a very active role in planning EDWAA, including setting client priorities for the highly varied backgrounds of dislocated workers.

In one state, the two substate grantees were not SDAs. In these substate areas, planning and oversight were conducted by a regional group of local elected officials and agency directors, who were also highly involved in implementing EDWAA services.

The influence of elected officials varied somewhat in other substate areas. Most often, their influence was registered through membership on the PIC.

Relationship Between EDWAA and Title II-A Staff and Providers

Because most substate areas are SDAs, an important issue is the extent to which substate area staff and those providing EDWAA services are distinct from those in Title II-A programs. Substate areas can be grouped into three categories: (1) those where programs were completely distinct, (2) those where programs were partially integrated, and (3) those where programs were fully integrated.

Distinct EDWAA Programs

In eight substate areas, the EDWAA program was completely distinct from the Title II-A program. Four substate grantees were directly involved in operating EDWAA programs. (Two of these were also Title II-A SDAs but operated dislocated worker services as district projects.) Four other substate areas contracted with different providers for EDWAA services to dislocated workers. In each case, the substate area contracted with the previous Title III service provider (a union in one substate area, a variety of public and private providers in another substate area, and the ES in the other two) that did not serve Title II-A clients.

Partially Integrated Programs

In over one-third (11) of the substate areas, EDWAA and Title II-A programs were partially integrated. In these substate areas, some services were provided in common, either in-house or by service providers that also served Title II-A clients.

For example, in one substate area the same intake and assessment staff served both Title II-A and EDWAA clients. The two client groups were separated, however, immediately after assessment. EDWAA participants were assigned to a counselor working only with EDWAA clients to discuss readjustment and retraining needs. Other substate areas that operated their own services combined Title II-A and EDWAA clients during orientation sessions and during some job search workshops.

In several other substate areas, EDWAA and Title II-A programs overlapped when EDWAA clients were referred to training programs that also served Title II-A clients. The

substate areas in this category mostly contracted with providers that served only EDWAA clients but contracted with some Title II-A providers as well.

Highly Integrated Programs

In 11 substate areas, EDWAA and Title II-A programs were highly integrated. Programs were integrated either when services were provided in-house by substate area staff or when they were provided by contractors. In these cases, the same substate area staff and service provider staff served both EDWAA and Title II-A client groups.

Factors Influencing Integration of EDWAA and Title II-A Programs

Several substate areas indicated that the low frequency of layoffs and closures was an important factor in their decision to integrate their programs with Title II-A. Of seven substate areas experiencing no mass layoffs, only one kept programs distinct and five were highly integrated. Further, in areas where many dislocations occurred, only two substate areas had partially integrated programs; the remaining seven had distinct services.

Financial resources available to substate areas also influenced program integration. Of the four substate areas that received under $100,000 in EDWAA grants, three had programs that were highly integrated with Title II-A and one had partially integrated services. Further, two other programs in rural areas with limited service providers had little choice in service providers and integrated EDWAA with Title II-A programs.

Role of Substate Areas Vis-a-Vis Service Providers

There was considerable variation in the degree to which substate area staff provided EDWAA services directly. At one extreme were two substate areas that operated the entire EDWAA service program in-house with substate area staff. Staff in these two substate areas performed recruitment, eligibility certification, intake, assessment, development of service plans, delivery of basic readjustment services, and provision of training. One substate area operated only a single entrepreneurial training project for dislocated workers; the other operated a skills training institute that served both EDWAA and Title II-A participants and administered OJT and customized training when appropriate.

At the other extreme were nine substate areas that played no role in direct service delivery for dislocated workers, relying instead on one or more contractors for all aspects of program

operation. Several of these substate areas were responsible for large geographic areas and had selected different contractors to deliver services in different parts of the substate area. Another three substate areas in this category (from three different states) contracted all substate operational responsibilities for EDWAA to ES offices, which had previously operated Title III services in their states.

Most substate areas studied fell somewhere between these two extremes. Ten substate areas directly provided all front-end services and centrally administered the provision of retraining services, either through individual referrals to educational institutions or class-size contracts for programs operated specifically for EDWAA or JTPA participants. Eight substate areas contracted with other entities for the operation of some or all front-end services but directly administered the provision of training. The remaining substate area formed a consortium consisting of the PIC, the ES, and a group of local educational institutions to operate all aspects of the EDWAA program in the substate area.

Relationship Between EDWAA and Previous Title III Organization and Staffing

Experienced Substate Areas

Half of the substate areas studied had previously administered one or more Title III projects using formula funds or discretionary grants awarded by the state. These experienced substate areas began the EDWAA program with some institutional history of serving dislocated workers and a set of previously developed local service delivery arrangements. Most experienced substate areas welcomed the transition to formula funding under EDWAA as an opportunity to build a more stable and permanent local service delivery system for dislocated workers.

However, some experienced substate areas did not build directly on their previous Title III program in designing and operating their new substate EDWAA program. For example, several substate areas administered large Title III projects that served workers from massive dislocations during the 1980s. By PY 89, their economies had improved and the previous Title III project staff had moved on. Thus, several experienced substate areas had to begin to build a new substate delivery system for EDWAA "from scratch," and at least one of these substate areas decided that its formula funding level under EDWAA was not large enough to support a distinct service delivery system for dislocated workers.

Several experienced substate areas were challenged by sharply increased levels of dislocation and/or dramatically increased funding levels during PY 89. Several substate areas responded by increasing the operational capacity of existing service providers or funding an expanded set of EDWAA service providers to supplement the previous Title III service delivery arrangements. Two other experienced substate areas that had provided retraining only through OJT contracts under Title III added classroom training to the services available to dislocated workers under EDWAA.

Substate Areas New to Dislocated Worker Programs

The remaining 15 substate areas had not previously played a direct role in designing or operating dislocated worker projects under Title III. Eight of these substate areas selected service providers with previous experience operating Title III dislocated worker programs for a role in the delivery of EDWAA services. In six of these substate areas, providers operated EDWAA programs distinct from Title II-A programs.

In seven of the eight substate areas, experienced service providers operated both "front-end" services for dislocated workers (e.g., recruitment, intake, assessment, and development of service plans) and administered the delivery of postenrollment basic readjustment services and retraining. In these cases, the substate areas' roles were largely administrative. Thus, the biggest change was the addition of another layer of administration.

In the eighth substate area, an experienced provider continued to offer several class-size training programs for dislocated workers, but the substate area took over direct operation of front-end services and administration of OJT and classroom training from the ES, which had previously run the Title III program throughout the state.

In contrast, seven substate areas new to dislocated worker programs did not contract with providers having Title III experience. In these substate areas, both substate area and provider staff were new to dislocated worker programs. Six of these seven substate areas integrated EDWAA with Title II-A services.

SUBSTATE PRIORITIES FOR EDWAA

Client Priorities

The EDWAA legislation identifies four major categories of dislocated workers eligible for services:

- Individuals terminated or laid off from employment who are eligible for or have exhausted UI benefits and are unlikely to return to their previous industry or occupation.
- Individuals terminated or notified of termination of employment due to a permanent plant closure or substantial layoff.
- Long-term unemployed individuals who have limited opportunities for employment or reemployment in their previous occupations.
- Self-employed individuals (including farmers or ranchers) who are unemployed because of general economic conditions or natural disaster.

In addition, states may permit substate areas to serve displaced homemakers with EDWAA funds if such services will not interfere with services to eligible dislocated workers. Below we discuss the priorities that substate areas have given to these different types of dislocated workers.

Target Groups

Recently Laid Off Versus Long-Term Unemployed—The substate areas visited varied greatly in the priority given to the various types of dislocated workers eligible for EDWAA. Two groups of dislocated workers emerged as the most commonly targeted: (1) those *recently* laid off because of plant closings or layoffs and (2) individuals who have been unemployed for a *long* period of time. Many of the latter became unemployed during the mass layoffs in some parts of the country during the early 1980s. Below we describe substate areas that gave priority to recently laid-off workers, substate areas that gave priority to long-term unemployed workers, and substate areas that had no clear client priorities.

Of the 30 substate areas, 13 gave priority to recently laid-off workers. In some cases, local conditions made this decision a foregone conclusion. Providing services in response to the large number of plant closings and layoffs in these substate areas absorbed all of the resources and funding, and little was left to serve other groups. For example, one substate area was kept busy with about one closing, buyout, or consolidation a week in a variety of industries, most notably

shipbuilding. The continuous stream of layoffs caused this substate area to target groups of workers at the layoff site, often before the layoff event itself. Another urban substate area operated in an area undergoing such a high degree of dislocation that it alone accounted for over 40% of that state's WARN notices. This substate area gave clear priority to recently laid-off workers, and few, if any, long-term unemployed workers were served.

In other substate areas that gave priority to recently laid-off workers, factors other than a high degree of dislocation seemed to have driven the decision. In some cases, recently laid-off workers were given priority even though a significant proportion of the dislocated worker population had been unemployed for a long period of time. For example, in one substate area, a significant amount of dislocation produced a crop of rather well-educated middle-level managers, administrators, and other professional white-collar workers who recently joined the ranks of the unemployed. In part because of the economic downturn in the early 1980s, this area already had a large number of unemployed workers who never recovered from the recession several years ago. However, substate staff had a philosophy that EDWAA funds should be dedicated to those who had more recently proved their success in the labor market and who were unemployable through no fault of their own; Title II-A funds should be for the long-term unemployed. Thus, a policy viewpoint, rather than economic conditions, dictated the priorities in this area.

In 9 of the 30 substate areas, the long-term unemployed were given priority over recently laid-off workers. Several of these substate areas made this decision simply because there were few, if any, recently laid-off workers in their areas. As one staff member put it, "No point planning for a layoff if it isn't going to happen." But for others, the choice was more substantive. In fact, in at least five of the nine substate areas, several plant closings had occurred since the beginning of EDWAA. One such substate area, which had planned to serve predominantly long-term unemployed workers, was caught off guard when the rate of layoffs began to increase, forcing its attention to be directed to about-to-be or recently laid-off workers. In other SDAs, the Title II-A model was so pervasive that individuals most similar to the traditional Title II-A clientele were given priority, despite the presence of newly laid-off workers in need of assistance. For example, one SDA, inexperienced with serving dislocated workers, targeted clients similar to Title II-A clients when the state failed to provide any guidelines for determining who was most appropriate for EDWAA services.

In the remaining eight substate areas, recently laid-off workers and long-term unemployed workers were both targeted, with neither group given priority. In some cases, this policy emerged more out of inertia or confusion about EDWAA goals than out of a deliberate assessment of needs of the eligible population. One state in a predominantly rural substate area had to give the matter a great deal of thought when queried about client goals. After some time, staff stated that both the recently laid off *and* the long-term unemployed should be served, and as an afterthought, they added the displaced homemaker. This substate area was among those for whom running programs for dislocated workers was new.

In other cases, EDWAA funding was so abundant that substate areas did not need to establish priorities and were anxious to serve any dislocated worker. One SDA tried to reach both newly laid-off workers and the long-term unemployed to meet its expenditure requirement. As we discuss below, nine substate areas were either having trouble spending their funds or anticipated having trouble at the time we visited them. Of these, four targeted no special group of dislocated workers and tried to recruit and serve anyone who was eligible.

Displaced Homemakers—Nineteen substate areas planned to serve displaced homemakers with EDWAA funds. Although 1 substate area gave displaced homemakers higher priority than unemployed workers, 12 substate areas ranked displaced homemakers as a last priority, and many had yet to serve a single displaced homemaker by the time of our visits. In most cases, substate areas with few or no dislocations elected to serve displaced homemakers, while those with a large number of laid-off workers either gave displaced homemakers a low priority or planned not to serve them at all. Another excellent predictor of whether or not a substate area included displaced homemakers among its targeted populations was whether or not it was having expenditure problems.

Groups Most in Need—At least seven substate areas gave priority to the most in need—whether they had been unemployed for a long or a short time. With one exception, all seven had ranked newly laid-off workers as their first priority, with the long-term unemployed worker as the second, and all were experiencing a significant degree of dislocation. One substate area had developed very specific criteria for determining which clients belonged to the "high needs group." Service levels were planned for at least three groups: dropouts, females, and minorities. Another substate area was concerned with serving women and minorities among laid-off workers and was highly sensitive to the threat of developing an image that EDWAA was for the elite white male worker and Title II-A for the poor black woman on welfare.

Another substate area was struggling with the definition of most in need at the time of our visit. Although the provider stated in its original proposal that staff expected to see "a larger number of well-educated middle managers and customer service professionals laid off because of industry changes," substate area staff were debating about the appropriateness of serving white- or pink-collar workers laid off from high-tech and business services firms, and state EDWAA policymakers wanted all SSAs to target workers with the most serious employment barriers, such as advanced age, limited education, obsolete or nontransferable skills, or language barriers. In the end, the question of whether white-collar workers should be served was solved by stipulating that laid-off workers with at least one of these barriers to employment should be given priority. Long-term unemployed workers also could be served if they had additional barriers to employment.

In contrast, several substate areas were targeting highly skilled workers extensively. For example, service providers in one substate area tended to recruit highly educated professionals for EDWAA services, leaving other unemployed workers to the Title II-A program. Of the 482 clients that had terminated from the program by January 1990, as many as 77% had *post-high school education*, 71% were white, and their average wage at placement was $13.50. In another substate area, services were routinely provided to geologists laid off from the oil and gas industry, high school teachers, and professionals from finance and real estate.

Eligibility Rules and Decisions

Defining eligibility has proven to be problematic for many substate areas. Areas of contention include:

- The definition of "unlikely to return" to previous occupation or industry.
- The definition of "long-term unemployed."
- The minimum size of the plant closure/layoff.
- Whether or not temporary workers were eligible.

Most substate areas said they wanted to limit EDWAA services to those workers expected to have difficulty in finding jobs in their previous occupations, but few substate areas had any clear procedures for establishing whether this criterion was met. Exceptions to this rule included one substate area that was trying to develop lists of declining occupations as an aid to eligibility

determination. Two others were trying to implement state regulations that individuals affected by large-scale layoffs were eligible only if they had been employed with the same employer for at least 3 years before being terminated or laid off. In addition, eligibility depended on meeting at least one of two tests for difficulty of reemployment in this state. Under the first test, applicants could qualify for EDWAA if the projected rate of employment growth of the previous occupation was less than the projected rate of employment growth for the state as a whole. Under the second test, applicants could qualify for EDWAA if they had been unemployed for 26 weeks and had completed 1 month of documented job search through the ES.

Another commonly observed area of confusion around eligibility rules was operationalizing the definition of *long-term* unemployed. Enormous variation existed in how substate areas interpreted this term. At one extreme, a state described above had required applicants to be unemployed for at least 26 weeks. Another substate area required the spell of unemployment to be at least 15 weeks. On the other extreme, many substate areas applied no criteria for long-term unemployed at all and accepted virtually any unemployed worker.

Another problem arose when substate areas used the WARN legislation definition of "substantial" layoff in their eligibility criteria. In one substate area, a plant closure affected about 150 workers, but because this was less than one-third of the workforce at the plant, a WARN notice was not required, and workers were not given eligibility for EDWAA services under the substantial layoff criterion.

Another eligibility question was whether temporary workers should be served. One SDA wanted to serve a group of "temporary" dislocated laborers and assembly line workers who were on the company payroll and had held full-time positions for a long time, but whose employment was technically limited to a specific project or time period. In an area where about 40% of the clients were laid-off engineers, this substate area was prevented from assisting the workers most in need because the state had determined that temporary workers were ineligible for EDWAA services. Again, this problem arose in tying EDWAA eligibility to WARN requirements because the WARN legislation does not apply to substantial layoffs of temporary workers. This issue is even more pressing in the light of the current trend among the nation's employers to hire more temporary workers.

In summary, we found that a number of substate areas were having trouble defining who was eligible for EDWAA services, and, in some cases, confusion resulted in peculiar and

potentially inappropriate rules regarding who should be served. Thus, we saw situations where highly paid professionals were served while laid-off assembly line workers were turned away and a substate area looking for ways to spend its funds was denied permission to assist dislocated workers whose status with their employer happened to be temporary.

Relationship Between EDWAA and Title II-A Client Priorities

There was substantial variation in the extent to which substate areas distinguished EDWAA and Title II-A client priorities in the 28 sites in which substate grantees operated both programs. Seventeen substate areas saw a clear difference in clients appropriate for Title II-A and EDWAA funding. Staff in these substate areas typically characterized the difference along these lines: Title II-A programs are for the economically disadvantaged who have little or no stable work history; EDWAA programs are for workers who have been laid off in the near or distant past because of structural changes in the economy. Most of these substate areas had experienced a significant degree of dislocation in their areas, had given priority to recently laid-off workers rather than the long-term unemployed, and had participated in operating Title III programs.

In 11 substate areas, staff perceived few or no differences between the characteristics of EDWAA and Title II-A clients. Substate areas in this category served mostly long-term unemployed because they experienced little or no local dislocation. As a result, these substate areas often had trouble recruiting enough clients to satisfy their expenditure requirements and would tap into the Title II-A pool of eligible clients to fill their caseloads. For example, in one SDA, the decision about which title to enroll participants in depended on which program was having the hardest time filling its enrollment goals that month. Other SDAs used co-enrollment as a strategy to meet the needs of dislocated workers who were also low-income. For example, about 20% of the EDWAA applicants were eligible for Title II-A programs and were enrolled in both programs. Typically, an economically disadvantaged dislocated worker in this substate area would receive retraining under EDWAA funds and needs-related payments under Title II-A (needs-related payments were not offered to EDWAA enrollees in this substate area).

Service Priorities

Basic Readjustment Versus Retraining

The EDWAA legislation encourages substate areas to provide more retraining than was provided under the previous Title III program. The rationale underlying this goal is that (1) a large number of dislocated workers have no transferable skills and must acquire new skills to be successful in the job market, and (2) of those that do have some transferable skills, substantial upgrading of those skills significantly improves their employment prospects. The primary mechanism relied on to promote this objective is that substate areas are required to spend at least 50% of their budget on retraining activities.

The extent to which substate areas have responded to the encouragement to place more priority on retraining is measured in two ways: (1) the planned percentage of the budget for retraining activities and (2) the extent to which the substate areas stressed long-term over short-term training in their plans.*

The total EDWAA formula funds available in the 30 case study substate areas for PY 89 ranged from less than $100,000 (in 4 areas) to over $1 million (in 5 areas). Each substate area developed an initial budget that allocated EDWAA formula funding to four expenditure categories: administration; basic readjustment services; retraining; and supportive services, including needs-related payments. The percentage of the total funding budgeted for retraining activities in the case study substate areas ranged from a low of 30% of the total funds to a high of 85%. Four of the 30 case study substate areas budgeted less than 50% of their formula funds for retraining; 18 allocated between 50% and 60% of their budgets to retraining; 8 substate areas budgeted between 60% and 85% of their funds for retraining.

Among the factors that appeared to affect the relative size of the retraining allocation were the following:

- The federal policy emphasis on retraining activities, including the 50% retraining expenditure requirement (subject to waivers based on criteria established at the state level).

---

* There are some difficulties in using the percentage of the budget planned for retraining activities. First, in some cases, the planned portion of the budget for retraining was different from the actual portion expended. Second, in at least one case, retraining expenditures also supported substantial basic readjustment services. These exceptions are noted in our discussion.

- The extent to which basic readjustment services were needed to provide early intervention services to workers affected by large-scale layoffs.

- The substate area's previous emphasis on preemployment training, job search skills training, and job search assistance in Title III.

- The extent to which supportive services and basic readjustment services were provided.

- The extent to which state 40% funds or other funds were available for general dislocated workers.

- The cost of retraining services available at the local level.

- The definition of what constitutes retraining expenditures.

Low Retraining Expenditures—Five substate areas received a waiver of the 50% retraining requirement though only four planned to spend less than 50% of their budgets on retraining. One did so more to "test the waters" about the need for retraining rather than to deemphasize retraining and was busily responding to an intense and unexpected demand for retraining by the time of our visit. Another substate area initially was concerned that it would fail to meet the requirement and therefore had applied for a waiver. As time passed, however, it became clear that the demand for retraining far exceeded the supply, and at the time of the visit, all retraining dollars had already been obligated.

Of the four substate areas that budgeted less than 50% of their formula funds for retraining, two experienced an extremely high demand for basic readjustment services and job search training from a large number of workers affected by large-scale layoffs; one had designed (and won an award for) a strong preemployment training component to meet the needs of a long-term unemployed target group with serious employment barriers in an integrated Title II-A/Title III service system; and one planned low retraining expenditures from formula funds because state 40% funds were available to pay the cost of classroom training for substate area enrollees receiving training from state-approved educational institutions. In addition, two of the substate areas with low retraining budgets planned to expend between 15% and 25% of their formula funds for supportive services, a substantially higher percentage than that planned by most other substate areas studied.

Moderate Retraining Expenditures—Most (18) of the substate areas studied budgeted between 50% and 60% of their formula funds for retraining. Many of these substate areas were influenced by the federal 50% retraining expenditure requirement, and most were conscientious about meeting this requirement rather than requesting a waiver. Most of the case study sites said that the 50% retraining expenditure requirement fit their existing program designs for dislocated workers and was not a problem to meet.

However, 6 of the 18 substate areas in this group said that they had been forced to alter their EDWAA program designs to devote 50% of their funds to retraining. In each case, respondents said that they would like to be able to spend more money on basic readjustment services than they were now able to spend. Two substate areas mentioned that they had had to cut back on the counseling staff available to assist dislocated workers in job search and job development activities. Two other substate areas said that they had had to cut back on the use of job search training, job clubs, and use of available job resource centers for dislocated workers to meet the 50% retraining expenditure requirement. One substate area said that it was incorporating basic readjustment services into retraining contracts with service providers to make these services available.

The need to expend 50% of the available EDWAA funding on retraining was also mentioned as having several other unintended effects on program design by a few respondents with moderate retraining expenditures. One substate area said it might be increasing the tendency to use OJT contracts even when direct placements would have been possible. Another substate area said that the requirement was making it more difficult to link participants to free training resources within the local community. A third substate area was concerned about the low number of jobs that required training in its vast rural area, combined with the very low rate of job vacancies and opportunities. The challenge for this substate area was not so much to retrain dislocated workers as it was to recruit clients from the informal economy of farm or ranch hands who were not eligible for unemployment benefits and to help them find jobs that provide adequate pay or health insurance. The 50% retraining requirement is seen as a cumbersome burden illsuited to the economic realities of the area.

High Retraining Expenditures—Eight substate areas budgeted particularly high proportions of their EDWAA formula funds for retraining. Five substate areas with high retraining expenditures were in states that used 40% funds to provide basic readjustment services to dislocated workers. In four of these substate areas, the ES determined eligibility and provided

assessment and basic readjustment services for all dislocated workers statewide. Individuals referred to these substate areas by the ES had already been identified as candidates for retraining. In the fifth substate area, state 40% funds were used by the state ES to provide all basic readjustment and retraining services to dislocated workers affected by mass layoffs. The substate area was expected to focus on the needs of long-term unemployed workers with its formula funds. Thus, in these cases, a higher proportion of substate area funds was available for retraining expenditures.

The three additional substate areas with high planned retraining expenditures include one substate area in a state that encouraged substate areas to spend at least 60% of their EDWAA funds on retraining and two substate areas that used performance-based contracts with EDWAA service providers. Because these contracts paid for placement after retraining, all contract costs were categorized as retraining expenditures, even though basic readjustment services were also provided.

Our second measure of substate area commitment to retraining under EDWAA is whether the substate area emphasized long-term training in its plans. The decision to emphasize long-term training over short-term training was associated with:

- The overall emphasis on training versus basic readjustment skills: the higher the fraction of the budget devoted to retraining, the more long-term training provided.
- The degree of local dislocation: the greater the number of layoffs, the more likely the substate area was to offer long-term training.
- Whether the state emphasized long-term training and backed it up with encouragement such as stressing the provision of supportive services to workers undergoing training.
- The skill levels of the dislocated worker population: in areas where the clientele were dominated by low or semiskilled workers, long-term training was emphasized more often.

Fifteen substate areas emphasized long-term training. All of these substate areas were in states that officially emphasized long-term training. Of the 15 substate areas that did not emphasize long-term training, 7 were in states that emphasized long-term training. Thus, about one-quarter of the SDAs did not conform with the service priorities established at the state level.

All of these substate areas were in states known for their highly decentralized systems that gave a great deal of autonomy to local areas.

Most of the substate areas that did not provide long-term training complained about the lack of supportive-service funds for dislocated workers enrolled in long-term training. Although most offered some support for transportation and other necessities, few offered significant needs-related payments.

Types of Retraining

With one exception (a substate area that operated only a single classroom training curriculum in entrepreneurial skills), all of the substate areas studied offered two modes of retraining: classroom training in occupational skills and OJT. Nevertheless, most of the substate areas had a "favorite" training mode, which they preferred for a variety of reasons. Seventeen of the substate areas favored classroom training for most EDWAA participants, while nine substate areas favored OJT. Three substate areas offered roughly equal proportions of each type of retraining.

Among the reasons stated for preferring classroom training were the following:

- Classroom training is more effective than OJT in improving job skills and preparing participants for high-paying jobs and stable employment with a future.
- Participants are reluctant to select OJT positions that pay less than their previous jobs.
- Highly educated workers need skills upgrading to maintain their previous earnings level.
- Clients with serious employment barriers need skills training to overcome their skills deficits and become employable.
- For the first time, dislocated workers are enrolling early enough to participate in some training before their UI benefits run out.
- Classroom training from public educational institutions is cheap, so it can be used to serve many participants.

Among the reasons given for preferring OJT were the following:

- Dislocated workers need immediate income and cannot afford to support themselves during retraining.
- Very limited classroom training offerings and/or the inflexible semester schedule of the local vocational schools makes them very difficult to use for dislocated workers.
- OJT contracts can be used as part of an aggressive economic development strategy to attract new businesses and convince existing ones to stay in the local area.
- Local employers benefit from OJT contracts.
- OJT is the most expedient way to spend out EDWAA retraining funds.
- OJT can provide high-quality short-term training.

Substate areas that gave priority to recently laid-off workers were divided fairly equally between those that emphasized OJT and those that emphasized classroom training. However, among the nine substate areas that gave priority to the long-term unemployed, six emphasized classroom training.

Many substate areas were explicit in their reasons for preferring OJT: employers liked the arrangement. At least eight substate areas appeared to place highest priority on helping out local businesses. Six of these employer-oriented substate areas strongly preferred OJT. One PIC member wrote, "Although I have only worked at the PIC for three years, I was, and still am, under the impression that the PIC's main goal was to service and satisfy local employers with JTPA funding to the best of our capability." In another substate area that gave OJT top priority, one service provider described how employers were encouraged to develop hiring lists as standard procedure." The provider—who had not met the employer or the workers before—was called to a local manufacturing plant to write OJT contracts for newly hired workers.

Finally, we examined to what extent substate areas either offered or promoted basic skills remediation. We found that the majority of substate areas included basic skills training in their service package, although the degree to which they promoted this option varied widely. About one-fifth did not offer this type of training. Among those substate areas that offered basic skills training, many were seriously committed to it. One substate area offered a $50 weekly payment

to basic skills trainees as an incentive, and others were establishing curricula specifically designed to meet the needs of dislocated workers.

The decision to offer basic skills training is associated with other design decisions. The clearest relationship is between the decision to promote basic skills training and the decision to give priority to the long-term unemployed over recently laid-off workers. Of the 9 substate areas that gave priority to the long-term unemployed, 6 offered basic skills training; of the 13 substate areas that gave priority to recently laid-off workers, only 7 provided basic skills training. Another indicator of whether or not a substate area offers or promotes basic skills remediation is the extent to which Title II-A and EDWAA programs were linked. In substate areas with a high level of integration between the two programs, basic skills training was offered more often to EDWAA clients. Thus, in areas where there was already in place a system to address the literacy needs of the Title II-A population, EDWAA clients seemed to benefit from linkage between the two.

Supportive Services

Substate areas are allowed to budget up to 25% of their funds for supportive services, including needs-related payments. Although substate areas varied widely in the amount of resources they devoted to supportive services, most budgeted a rather low amount, generally less than 5%. Twenty-one substate areas offered supportive services, such as compensation for transportation or child care payments; five substate areas offered both supportive services and needs-related payments; and four substate areas offered neither.

Several substate areas offered fewer supportive services to dislocated workers than they provided to Title II-A participants. Some substate areas provided no supportive services if EDWAA participants were receiving UI benefits. Others provided no supportive services unless displaced workers were economically disadvantaged.

One substate area that deemphasized support services did so because it was offering services to workers before or soon after layoff, and these workers had not exhausted their personal assets or unemployment insurance. Another substate area refused to provide assistance of any kind, even transportation payments, because it believed that this support was inappropriate for those not economically disadvantaged. Another substate area had allocated a small portion of its budget to supportive services but did not intend to use it. The staff felt that the state should provide such services through welfare.

The reasons given for limiting needs-related payments include:

- Simply not enough dollars to go around or make a difference.
- The 50% retraining requirement prevented a larger allocation to needs-related payments.
- The paperwork required to apply for needs-related payments was too extensive.
- It seemed unfair that EDWAA clients--who were often less needy--qualified for this kind of assistance while Title II-A clients did not.

Only five substate areas provided substantial support to their clients. Another substate area had not yet finalized its policy concerning needs-related payments at the time of the site visit. These substate areas emphasized long-term training and acknowledged the necessity of providing essential support to workers undergoing training with no earned income. Their main complaint was that there was not enough to go around. One substate area gave clients who entered long-term training lasting more than 25 weeks $100 a week, and those who entered training for less time, $50 a week. Another substate area provided one-time payments of up to $400 to those participating in training.

A number of substate areas were concerned about the restrictions governing the distribution of needs-related payments to individuals who had entered EDWAA services at least 13 weeks before exhausting their UI benefits. One substate area gave needs-related payments to anyone who needed them, without determining whether the person was receiving UI benefits. The staff argued that the state had never given them clear guidelines on the subject, so they were forced to draw up their own criteria for establishing eligibility for the stipends.

Relationship Between EDWAA and Title II-A Service Priorities

We examined the degree to which service priorities for the EDWAA and the Title II-A programs were integrated or distinct. Thirteen substate areas had a high degree of integration between the service priorities for the two programs. Most of these substate areas saw little difference in the characteristics or needs of disadvantaged clients and dislocated workers; they tended to set priorities to serve long-term unemployed workers rather than recently laid-off workers. Long-term unemployed workers tended to resemble the Title II-A population in many ways.

In the remaining substate areas, service priorities for the two programs were distinct. These substate areas generally saw clear difference between the characteristics and needs of the two populations. For example, in a substate area struggling to manage multiple large closures and mass layoffs with a strong focus on providing basic readjustment services before layoff events, virtually no overlap existed between the types of services provided to Title II-A and EDWAA clients.

Substate Area Performance Goals

Most substate areas set local performance goals for the EDWAA performance measures that were required in their state. (One substate area that operated only a single entrepreneurial training program considered experimental by both the state and the substate area did not set numerical goals on these measures.) A number of substate areas also set local goals for measures that were not required in their state.

The numerical goals set by the study substate areas varied widely on the different performance measures used. Numerical goals for the entered-employment rate, reported for 29 substate areas, ranged from 58% to 97%. Goals for the average wage at placement, reported for 16 substate areas, ranged from $5.00 per hour to $10.00 per hour. Local goals for average cost per participant or per entered employment, reported for four substate areas, ranged from $200 per participant to $7,000 per entered employment. Local goals for wage replacement rate, reported for four substate areas, ranged from 70% to 90% of prelayoff wage.

Substate Areas with High Performance Goals—Performance goals included in substate plans provide some information about the extent to which different substate areas emphasized high performance on various EDWAA performance measures. Thirteen substate areas were rated as placing a high emphasis on performance goals in EDWAA, either because they set desired performance goals for one or more performance measures at a higher level than that required by the state standard or because they added substate performance goals at a reasonably ambitious level for measures that were not required in their states. Examples of performance goals added at substate initiative include four substate areas that set average hourly wage goals from $6.00 to $8.00, even though their states did not implement a wage standard or wage goal.

Examples of performance levels set above the state required performance levels include several substate areas that set their entered-employment-rate goals 10 percentage points higher than the state-required rate, and other substate areas that set their average-hourly-wage goals from $1.00 to $2.00 higher than the numerical target goal set by the state.

The majority of substate areas with high performance goals (7 out of 10 for which we have data) used performance-based contracts with their service providers. One additional substate area retained control of performance levels by providing classroom training in-house.

Substate Areas with Moderate Performance Goals—Seventeen substate areas were rated as placing moderate emphasis on performance goals in EDWAA, setting performance goals only for the state-required performance measures at the numerical level(s) required by the state. The majority of substate areas in this category (12 out of the 14 for whom we have data on this issue) used cost reimbursement-type contracts or a mixture of cost reimbursement and performance-based contracts with their training contractors.

ADEQUACY OF FUNDS AT SUBSTATE AREA LEVEL

Adequacy of Formula Funds

Concern about the level of funding to substate areas arose for several reasons. First, the level of funding for the first year of EDWAA was less than anticipated because the carryover of Title III funds was less than estimated. Second, many states designated all their SDAs as EDWAA substate areas, so that many areas had quite low levels of funding. Some states established minimum levels of funding to try to equip SDAs with the capacity to respond to plant closures and mass layoffs if they should occur. Third, the EDWAA legislation indicates that states should base the allocation of funds to substate areas on data on declining industries and plant closures, but because many states do not have good information about these factors, the highest weights in state allocation formulas are placed on unemployment-related data. EDWAA funds may not be concentrated in areas with the largest numbers of recent dislocations.

Among the 30 substate areas, the funding levels varied substantially, ranging between $28,000 and $4.5 million. During our site visits, we asked substate areas whether funding levels were adequate to meet the needs of their dislocated worker populations. Twelve substate areas indicated that funding levels were adequate; nine substate areas did not have enough funds; and nine substate areas had more than enough funding for their needs.

Thus, 18 of the substate areas reported a mismatch between their needs and the resources available. Mismatches, when they occurred, were often caused by the following factors:

- Difficulty in recruiting appropriate and eligible clients for services.
- Slow start-up of the program, due to inexperience or lack of familiarity with the new regulations under EDWAA.
- Allocation formulas that may not fully capture local economic characteristics.

The substate areas with inadequate, adequate, and surplus funding levels are described below.

Substate Areas with Inadequate Funding

About one-third of the substate areas visited had resources that fell far short of meeting the needs of their dislocated worker population. Inadequately funded substate areas tended to fall into one of two groups: those experiencing very high levels of economic dislocation and those with very low funding levels (less than $50,000).

Most of the substate areas with very high levels of dislocation were located in large metropolitan areas experiencing a relatively large number of layoffs and plant closures, despite modest to low unemployment rates. These substate areas were all targeting recently laid-off workers. Strikingly, all but two were in states that either zero-weighted the plant closure factor in their allocation formulas or gave the factor very low weights because of inadequate data. Some of these substate areas, although recipients of very large formula allocations supplemented by discretionary funds, were still overwhelmed with eligible applicants and reported a crippling shortage of funds. Clearly, the combination of a high rate of dislocation and a low weight for dislocation in the allocation formula was unfortunate for these substate areas. Further, one of these substate areas was located in a state with a relatively low unemployment rate, which further lowered the amount of funds available at the local level.

Other underfunded substate areas were small, with correspondingly small allocations. These included a small substate area that received a grant of $50,000 to serve an area with a low unemployment rate but a relatively large number of long-term unemployed workers dislocated from the oil and gas industry several years ago. This substate area did not actively encourage potentially eligible companies or workers to apply for TAA certification. As a result, TAA

funds were not generally available to supplement EDWAA funds in serving these workers With a tight budget and its problems exacerbated by the 50% expenditure requirement for retraining activities, this substate area had to rely on other JTPA titles to pay for administrative salaries and basic readjustment services. Another small substate area with inadequate funding had a total allocation of only $27,000.

Of the ten substate areas with inadequate funding, six were located in states that reported inadequate funds at the state level. Four other substate areas with inadequate funds, however, were located in states reporting adequate or surplus funding.

Substate areas with inadequate funding developed diverse strategies to cope with dwindling funds. One substate area had a 4-month waiting list for services; another issued certificates of continuing eligibility to dislocated workers that it could not serve immediately. Another limited the number of plant closures it responded to and was beginning to refer employers who inquired about EDWAA services for their workers to the ES instead. Although substate areas with inadequate funds were more likely to offer extensive basic readjustment services, such as stress or financial counseling, several of these substate areas were trying to cut back spending in basic readjustment services to maintain retraining services. None of these substate areas with inadequate funding offered needs-related payment. Five of the underfunded substate areas applied for state discretionary or national reserve funds when their formula funding ran out. Access to and use of discretionary and reserve funds by substate areas is discussed in the next subsection.

Substate Areas with Adequate Funding

The 12 substate areas that reported adequate funding levels were highly diverse with respect to the number and size of layoffs in their areas. Four substate areas had a high level of layoffs (a number of small layoffs or several large layoffs); five substate areas had a moderate level of small to medium-sized layoffs; and three reported that they knew of no recent layoffs in their areas. Some gave priority to newly laid-off workers, and some gave priority to long-term unemployed workers. Typically, these substate areas served both categories of dislocated workers.

With only two exceptions, all substate areas experiencing a balance between the demand and supply for services were in states that weighted plant closure data positively in their allocation formulas. This finding, combined with the parallel finding that all but two of the

inadequately funded substate areas were in states that did *not* include this factor, points out the importance of accounting for the incidence of plant closures in the distribution of 50% funds.

Finally, those substate areas that had adequate funding tended to report good relationships with state officials and compatibility between substate area and state goals and priorities. All adequately funded substate areas seemed to enjoy a rather high degree of autonomy with respect to the state; few complained of undue impositions or unfairness. Below we describe in more detail three representative substate areas with adequate funding.

One small substate area faced multiple large layoffs, primarily in construction and high-technology fields, in an area experiencing sluggish growth. A large proportion of the dislocated worker population were skilled professionals, including geologists and engineers. Although ideologically enthusiastic about long-term training, this substate area nevertheless emphasized OJT rather than classroom training, and put a cap of $1,200 per client for training. Certain practices in this substate area reflected a high degree of fiscal austerity, accounting, in part, for the apparent sufficiency of their funds.

A second substate area with adequate funds served a large urban area with a low unemployment rate but a high level of dislocation. The dislocated worker population was highly diverse, including workers with all skill levels. The PIC emphasized classroom training, encouraged long-term, intensive training for interested clients, and was developing strategies to target the most in need among its applicant pool. The allocation of about $1 million almost met the demand for services, although this substate area did apply for and receive $100,000 in state's discretionary funds to supplement its budget.

A third substate area served an area with no dislocation, a high unemployment rate, and a stable economy based on a few large employers and numerous low-paying jobs. Relying on state assistance if a mass layoff should occur, this substate area reserved only a small fraction of the budget for use in case of an unexpected mass layoff. It stressed short-term classroom training and operated an integrated Title II-A and EDWAA program. It managed its grant of $90,000 without expenditure problems.

Substate Areas with Surplus Funding

Of the nine substate areas that had more funding than could easily be spent, two were located in rural areas with high unemployment rates but very low rates of dislocation. One of

these received about 25% more funding under EDWAA than it did under Title III but reported no dislocation whatsoever and was very inclusive in its eligibility determinations. The PIC had recently decided to serve displaced homemakers, realizing that funds would be available to serve this population after giving priority to laid-off workers. This substate area relied heavily on OJT and did not emphasize long-term or classroom training. Perhaps the likeliest explanation for this substate area's difficulty in spending its allocation was the shortage of referrals from the local ES, which was mandated by the state to certify eligibility for EDWAA applicants throughout the state. The PIC complained that the ES failed to refer eligible clients to the substate area for services, while the ES claimed that the substate area did not understand the program's eligibility requirements.

A second substate area, located in an area that had recovered from an economic downturn in the early 1980s and enjoyed stable economic conditions, served only a handful of dislocated workers. This substate area had trouble spending its funds, particularly formula allocations that arrived late in the year. It volunteered to return unspent monies to the state.

Six substate areas reporting surplus funding were located in areas with a moderate degree of dislocation. Two had high unemployment rates, which may account for their more than ample EDWAA funding. One substate area was recovering from a severe economic downturn in earlier years. The area still had a high unemployment rate and low wages, but very few recently dislocated workers. The program integrated Title II-A and EDWAA services so thoroughly that there was virtually no difference between them and had trouble recruiting clients for both programs. Two other substate areas with surplus funding but moderate levels of dislocation had very low unemployment rates and particularly fast growth in certain sectors. One of these had difficulties with recruitment as well. The remaining substate areas had had very high unemployment and mass layoffs in recent years but were experiencing a rapid recovery by the time the program year started.

The only substate area reporting surplus funding that had a high rate of dislocation was located in an economically unstable area with a great deal of business turnover. Although there were many layoffs and plant closings, rapid growth in some sectors, including the manufacturing and service industries, easily absorbed most laid-off workers. To add to this substate area's expenditure problems, the state directly funded a number of projects for dislocated workers in the area, causing recruitment difficulties.

Despite surplus funding, these substate areas did not revise their planned services to offer more extensive services, such as financial or stress counseling. Only one provided needs-related payments.

Although some substate areas with surplus funding were new to the operation of programs for dislocated workers, many had played at least some role in the previous program for dislocated workers. Nevertheless, several states blamed lack of experience for under-expenditures. Another explanation for substate areas' receiving surplus funds was the state allocation formula: six of the nine substate areas with surplus funds were in states that zero-weighted the plant closures factor in their allocation formulas.

Factors Influencing Funding Adequacy

The adequacy of funding levels appears above all to be related to local economic conditions rather than to substate-area-level decisions or program design. The allocation formula devised by the state is a critical factor underlying the adequacy of funding levels. Table IV-1 illustrates the strong relationship we discovered between whether or not a state gives the closures factor a zero or low weight and the adequacy of local funding levels. All but two of the inadequately funded substate areas were in states that zero-weighted this factor. (One state gave this factor a weight of 1 percentage point, apparently to comply with instructions not to zero-weight any factor.) Conversely, all but two of the adequately funded substate areas were in states that tried to account for local dislocation rates in designing formula factors.

Several substate areas reporting abundant funding were experiencing slow start-up, due sometimes to inexperience with running programs for dislocated workers or poorly established relationships with other participating agencies in the community, and were confident that they could easily spend their funds once "growing pains" had subsided.

Access to Discretionary Funds

Substate areas may receive funds to supplement the formula grant from three sources of discretionary funding:

- State discretionary allocations from 40% funds
- Discretionary allocations from 10% funds

- National reserve funds.

Discretionary Allocations from 40% Funds

Eleven of the 30 substate areas in our sample received discretionary funds from 40% funds. Five substate areas applied for and received state 40% funds to cover unanticipated increases in need. One small substate area had been doing well with its 60% funds when a layoff involving 250 workers strained its budget to the point that it needed an additional $98,000 of state discretionary funds to provide basic readjustment and retraining services to these laid-off workers. A large substate area in the same state also received a 40% grant and said that it would

Table IV-1

ADEQUACY OF FUNDING BY WEIGHT GIVEN TO PLANT CLOSURES IN STATE ALLOCATION FORMULA

	Plant Closure Factor Given Zero Weight	Plant Closure Factor Given Positive Weight
Substate areas with inadequate funding	7	2
Substate areas with adequate funding	2	10
Substate areas with surplus funding	3	6
Total	12	18

have applied more times had the process not taken so long or been so cumbersome. Two substate areas serving dislocated workers from multiple large layoffs applied for and received discretionary funds in a state that set aside 40% funds specifically for on-site service delivery. One of these was pleased with the state's rapid and generous response to its three applications for large sums ($1.5 million, $2 million and $500,000, respectively). The fifth substate area used 40% funds to assist 200 workers laid off from a plant closure.

In general, substate areas that applied for discretionary grants did so when an unexpected plant closing occurred or because they wanted to fund a special project. The funds were received in a timely manner, and only one substate complained about the procedures for applying for funds.

Six other substate areas received state 40% funds through automatic allocations by formula, either when they received their regular funding or soon thereafter. In one state, these funds, distributed midyear when applications for discretionary allocations did not exhaust the funds, came with "no strings attached" to be used as substate areas chose. In another state, these grants were called "long term training incentive grants" and were earmarked for clients attending state-approved vocational technical schools. The substate areas in this state viewed the allocation as a mixed blessing, in part because they were not allowed to charge administration costs to these funds, and in part because of the added accounting costs. The last two substate areas received an automatic allocation of 40% grants to cover half the costs of classroom training for their participants.

The substate areas that received 40% funds by formula generally did not feel they needed the funds, and those that received these funds late in the year had trouble planning for and spending them. The flow of unneeded funds in "dribs and drabs" made planning difficult, and most were already having difficulty expending all their initial formula funds.

Discretionary Allocations from 10% Funds

Six of the 15 states withheld 10% funds for distribution to substate areas on a discretionary basis. (The other states distributed the 10% funds at the beginning of the year along with the regular 50% funds.) Two of these states later distributed 10% funds by formula when applications from the substate areas did not exhaust the fund. Only one substate area in the sample applied for a 10% discretionary grant. This substate area received a small grant to provide customized computer skills training for about 200 laid-off workers.

National Reserve Funds

Only 1 of the 30 substate areas had applied for national reserve funds at the time of our site visit. This substate area was hit by a freeze resulting in extensive damage, including downed trees, frozen and broken pipes and sewage systems, and heavy damage to crops and land. With the help of the state, the substate area applied for a grant of $3 million from national reserve funds. The plan was to use the money to pay for training dislocated workers in occupations that would be useful in the cleanup, such as construction, pruning, debris removal, and plumbing. Although the grant was awarded, it arrived several months after the freeze, and most of the severe damage had already been taken care of. In addition, the SDA had trouble designing and implementing a quick start-up program and complained of inadequate assistance from the state. Although some of the problems encountered by this SDA in accessing and using reserve funds were endemic to this state (the state was preoccupied with mass layoffs in other areas of the state), staff believed that unless funds are distributed immediately after natural disasters, they are of limited use.

SUMMARY AND ISSUES FOR DOL CONSIDERATION

Summary of Results

Substate Organization and Staffing

- The PIC and LEOs were influential in designing EDWAA services in several substate areas.

- EDWAA and Title II-A programs were distinct in eight substate areas. Respondents in these areas tended to view the backgrounds and needs of EDWAA participants as significantly different from those of Title II-A eligible participants.

- In 11 substate areas, EDWAA programs were partially integrated with Title II-A programs.

- EDWAA programs were highly integrated with Title II-A programs in another 11 substate areas.

- Several factors influenced integration of EDWAA and Title II-A, including layoff activity in the area and the resources available to the substate area.

- Substate areas' experience in delivering services to dislocated workers varied. Half of the substate areas delivered Title III services before EDWAA. For the other half, administering programs serving dislocated workers was a new

activity. Six of the new substate areas, however, contracted with providers with previous Title III experience.

Client Priorities

- About half of the substate areas gave priority to recently laid-off workers; nine gave priority to long-term unemployed dislocated workers; and the remainder either ranked both groups equally or had no clear client priorities.

- The number and size of plant closings and layoffs strongly influenced client priorities. In substate areas with high rates of dislocation, newly laid-off workers were given top priority. In substate areas with few or no plant closures, long-term unemployed workers were given priority.

- At least seven substate areas tried to identify clients most in need of EDWAA services. These substate areas tended to have high rates of economic dislocation and gave top priority to newly laid-off workers. Gender, minority status, age, limited education, and language barriers numbered among the characteristics associated with most in need.

- Most substate areas formally planned to serve dislocated homemakers, but few had actually done so by the time of our visit. Substate areas with plans to serve displaced homemakers tended to have few plant closures and were more likely to target long-term unemployed than newly laid-off workers.

- A substantial number of substate areas did not distinguish between dislocated workers and Title II-A client priorities.

Service Priorities

- Most substate areas were committed to offering retraining activities to their dislocated workers, as illustrated by the proportion of their budgets devoted to retraining. Only five substate areas applied for and received waivers of the 50% retraining requirement. Eighteen allocated between 50% and 60% for retraining, and eight substate areas budgeted between 60% and 85% of their funds for retraining.

- The 50% expenditure requirement appears to have had the intended effect of increasing funding of retraining services. Some substate areas, however, regretted eliminating valuable basic readjustment services, such as counseling, to satisfy the requirement.

- Half of the substate areas emphasized long-term training in their plans. Factors influencing substate areas' commitment to long-term training included the degree of local dislocation, whether the state was committed to long-term training, and skill levels of the dislocated worker population.

- All but one substate area offered both OJT and classroom training; a little more than half emphasized classroom training, nine emphasized OJT, and three offered both at about the same rate. Several substate areas that emphasized OJT were employer oriented, in that they saw their primary mission as meeting employers' needs for labor.

- Although most substate areas offered basic skills remediation, the degree of commitment to this service varied greatly. Substate areas that promoted basic skills training tended to target long-term dislocated workers rather than newly laid-off workers and to have integrated Title II-A and EDWAA service packages.

- Most substate areas offered few supportive services. Only a handful offered needs-related payments and usually either put a low limit on the payments or offered them on a one-time basis. Lack of adequate funding for needs-related payments was often blamed for substate areas' inability to offer long-term training.

- Thirteen substate areas integrated Title II-A and EDWAA service priorities. Most of these targeted the long-term unemployed. The remaining substate areas that established distinct service priorities tended to be located in areas with a large number of layoffs and targeted recently laid-off workers.

Performance Goals

- About 40% of the substate areas were rated as having high emphasis on EDWAA performance goals because they set local goals that exceeded state performance standards. Most substate areas set goals at the level required by the state.

Adequacy of Funding

- Twelve substate areas reported adequate funding levels. However, 18 reported a mismatch between their needs and the amount of resources: 9 substate areas had too little funding, and 9 had surplus funding.

- Substate areas with inadequate funding levels tended to be located in areas with a large number of large-scale layoffs and plant closures and often fairly low unemployment rates. A few substate areas with inadequate funding were in rural areas with little dislocation and very small allocations.

- Substate areas with adequate funding were very diverse in their characteristics and in their environments. Some had a high degree of economic dislocation; some had almost none. Some gave priority to newly laid-off workers; some

gave priority to long-term unemployed workers. Many shared one characteristic, however: they tended to be located in states that accounted for the degree of dislocation in their allocation formulas.

- Substate areas with surplus funding were often small, with moderate amounts of dislocation and high unemployment rates. Some had start-up problems; some reported difficulties in recruiting clients; and some were new to serving dislocated workers.

- About one-third of the substate areas received discretionary funds from state 40% funds. Most received these funds automatically in midyear formula distributions. Many of these substate areas had expenditure problems, and the additional, unplanned allocations were not always appreciated. Substate areas that applied for discretionary state funds usually did so when unexpected mass layoffs occurred and tended to be located in urban areas with a high rate of dislocation.

- Only one substate area applied for national reserve funds. This substate area experienced a natural disaster and needed assistance in quickly training workers to assist in the clean-up. Funds arrived too late to be of maximum value, according to staff.

Issues for DOL Consideration

Client Priorities

Three issues in client targeting have emerged from our analysis. First, most substate areas were targeting the type of dislocated workers prevalent in their community: most substate areas experiencing high rates of plant closures or layoffs were targeting recently laid-off workers; most substate areas experiencing few recent dislocations were serving long-term unemployed. Five of the 30 substate areas, however, have experienced at least a moderate number of recent dislocations but were not targeting those dislocated workers, focusing instead on long-term unemployed. Although client priorities are a local choice, several of these substate areas had not served dislocated workers before and focused on the long-term unemployed because they were similar to clients they were already serving in their Title II-A programs. DOL and states may wish to clarify the importance of serving recently dislocated workers and provide additional assistance in how recently laid-off workers' needs differ from those of Title II-A clients.

Second, several substate areas were struggling with whether to serve dislocated workers with substantial education, assets, and prior income or whether to focus on those most in need of government-supported services. This issue was particularly important in areas that could not serve all eligible dislocated workers. In the absence of federal or state guidelines on this issue, diverse targeting decisions are emerging. If DOL or states wish to influence whether the most in need receive priority, guidelines should be established as soon as possible before substate areas resolve this issue in ways that might not be satisfactory to state or federal policymakers.

Third, the legislation indicates that individuals laid off from a permanent plant closure or substantial layoff are eligible for EDWAA services under the second eligibility criterion. Following the EDWAA legislation, many states or substate areas have linked eligibility under this criterion to those laid off from a dislocation meeting the WARN legislation's definition of substantial layoff. This has led to some anomalies, including denying eligibility for EDWAA services to 150 workers laid off from a large company because the layoff was less than one-third of the workforce and to temporary workers dislocated by large layoffs. The WARN requirements were established for reasons not related to defining EDWAA service eligibility. DOL may wish to reconsider whether encouraging conformity between these two definitions of substantial layoffs is in the best interests of creating dislocated worker service systems responsive to a variety of local conditions.

The Adequacy of Funding

The adequacy of funding levels was related primarily to the ability of the state allocation formula to accurately capture local economic conditions. We found that one common characteristic of substate areas with either surplus funding or inadequate funds was that they tended to be located in states that zero-weighted the plant closure and layoff factor in their formula. DOL may want to assist states in acquiring higher-quality plant closure data, the lack of which was frequently blamed for the decision to omit this factor. In addition to facilitating access to data, DOL may wish to reiterate the importance of not zero-weighting factors, in particular the closure factor.

V INTERAGENCY DESIGN ISSUES

INTRODUCTION

The preceding two chapters have discussed the state and substate organization and design of EDWAA. Two other aspects of EDWAA design involve both state and substate areas, as well as organizations and agencies outside of EDWAA: (1) design of procedures to promote labor-management cooperation and (2) design of procedures to coordinate EDWAA services with other agencies serving dislocated workers or providing similar services. This chapter discusses the design of these two key elements of EDWAA, drawing on the results of our visits to 15 states and 30 substate areas.

LABOR-MANAGEMENT COOPERATION

The Objectives of Labor-Management Cooperation

The promotion of labor involvement and labor-management cooperation is a clear goal of the EDWAA legislation. States are required to increase the number of organized labor representatives on State Job Training Coordinating Councils (SJTCCs) and to describe in their state plans how they will "work with employers and labor organizations in promoting labor-management cooperation" to fulfill the goals of the Act. Substate areas are also required to describe in their substate plans how they involved labor representatives in the development and implementation of EDWAA services.

The legislation also encourages use of labor-management committees as a specific mechanism to promote cooperative labor-management efforts during individual large-scale layoffs or plant closures. One of the allowable uses of rapid response funding by DWU specialists is "to promote the formation of labor-management committees." State dislocated worker units and rapid response teams are permitted to support the development of labor-management committees with staff support, technical assistance, and financial contributions toward the costs of committee operations.

The description of voluntary labor-management committees included in the EDWAA legislation is based on a model developed by the Canadian Industrial Adjustment Service. Before the passage of the EDWAA legislation, a number of states had indicated interest in learning more about the Canadian model, and six states had experimented with implementing variants of the Canadian labor-management committee model in a demonstration project in

1987-1988 sponsored by the National Governors' Association and the Bureau for Labor Management Relations and Cooperative Programs of the U.S. Department of Labor.

Labor-management cooperation through labor-management committees has a number of anticipated benefits. We have identified five objectives of labor-management committees, each of which is intended to improve the effectiveness of the EDWAA system:

- To reduce the labor-management tensions and distrust that often accompany layoffs/closures and that may interfere with the flow of information and services to affected workers.
- To make services for dislocated workers responsive to consumers by involving worker representatives in the assessment of worker needs and the design of appropriate services.
- To increase the effectiveness of outreach and recruitment efforts, enabling as many affected workers as possible to receive early intervention services.
- To increase the resources available for addressing readjustment and retraining needs by combining public and private resources and coordinating services available from all sources.
- To monitor the effectiveness of service delivery through oversight of service provider arrangements, program operations, and worker outcomes.

Both management and labor are intended to benefit from the cooperative nature of the committee structure: management is able to maintain good community relations as well as maintain worker morale and productivity until the layoff occurs, while workers are able to feel that they have more control over the situation and experience less trauma over the impending job loss.

Description of the Labor-Management Committee Model

The key features of the Canadian labor-management committee model, as described in the materials developed to promote its dissemination in the United States,* include:

---

* Materials describing the Canadian model included articles in professional journals (e.g., Salzman, Jeffrey D. "The Canadian-American Plant Closing Demonstration Project," *Compensation and Benefits Management.* Volume 3, Number 4, Summer 1987) and handbooks designed for states that wanted to learn how to implement (Cont.) labor management committees in the United States (e.g., *Workforce Reduction Committees: A*

- Using labor-management committees as an integral part of early intervention to promote the effective planning and delivery of services prior to actual layoffs.

- Forming a committee with equal numbers of management and worker representatives who work together to develop a constructive and effective response to the announced layoff.

- Using a voluntary committee structure to permit flexible and low-cost operations supported by contributions by management, labor, and government.

- Establishing a neutral chair to increase the effectiveness of the committee and to avoid conflicts of interest.

The Canadian labor-management committee model permits substantial variation in the specific roles committees play in the design and delivery of services. According to the descriptive materials disseminated to promote their formation, the roles committee members generally assume include:

- Surveying affected workers to collect information on employee needs.

- Providing for regular two-way communication between workers and committee members about the details of the layoff and the availability of services.

Additional activities may include:

- Organizing job placement activities, including developing on-site job fairs, sending letters to prospective employers, and assisting affected workers in identifying transferable skills.

- Identifying the need for training and influencing the design and delivery of training supported with private or public resources.

- Reviewing the qualifications and service plans of potential service providers and playing some role in selecting organizations to provide prelayoff services.

Labor/Management Approach. Jointly published by the U.S. Department of Labor, Region I, The State of Vermont, and the National Alliance of Business, 1988).

- Conducting personal and individualized outreach to affected workers to make sure workers do not "fall through the cracks."

- Participating in the development or approval of individual reemployment plans and/or monitoring and supporting the individual reemployment through a case management process.

- Assessing the effectiveness of the services provided by publicly funded EDWAA service providers.

One of the most striking characteristics of the Canadian labor-management committee model is its flexibility in both form and function. In terms of their form, labor-management committees are intended to be flexible mechanisms that avoid bureaucratic inertia, formal structure, and high public costs. They are intended to provide voluntary forums for management and labor to design constructive solutions that will benefit the local community as well as the individual workers affected by a planned layoff or plant closure.

In terms of their function, labor-management committees are intended to work with other organizations and agencies to ensure that services to dislocated workers are responsive to worker needs and are effective in achieving the desired reemployment outcomes. Their roles can be flexibly defined to fit the specific situation.

Given the amount of flexibility and discretion that is built into the Canadian labor-management committee model, it is not surprising that the committees that have emerged during the first year of EDWAA implementation have varied widely in the formality of their organizational structures, their time frames, the scope of their operations, and their roles in influencing or administering services to dislocated workers. The next section reviews these variations, as well as variations in the efforts by states and substate entities to support labor-management committee formation.

Experience with Labor-Management Committees

Level of Commitment to Forming Labor-Management Committees

High Commitment States—Four of the states visited demonstrated significant verbal commitment to the concept of labor-management committees and had undertaken a variety of activities to encourage their formation. All four of these states had some experience with labor-

management committees before the implementation of EDWAA and continued to assist in their formation under EDWAA.

Activities undertaken to encourage the formation of labor-management committees in the high commitment states consisted primarily of support and encouragement from state DWU staff and state contractor staff. Each of these states assigned one or more state DWU staff to help form and operate labor-management committees.

Once the committee was formed, a member of the state DWU attended all of its meetings. In one state, the DWU coordinator served as the neutral chair for a labor-management committee for an extended period until an outside neutral chair was selected. In another state, a DWU staff member served as the secretary/treasurer of all labor-management committees.

Three of the four high commitment states also contracted with a statewide labor organization to expand their rapid response capabilities and expertise. In two states, this contractor assisted in encouraging the formation of labor management committees in plants in which the workforce was unionized. In the third state, the state labor organization was actively involved in all layoffs and plant closures.

Two of the high commitment states had contributed public funds to help cover the operating expenses of labor-management committees. The most substantial level of support came from one state that committed from $30,000 to $35,000 to the operating budget of each labor management committee formed, expecting management to contribute a like amount. Another state recently approved a payment of $50 per meeting for the neutral chair from state 40% funds.

Three of the high commitment states had given committees the ability to control service funds for affected workers. One state had formal contracts with several committees authorizing them to spend specified amounts (up to $10,000 for a large layoff) for prelayoff services to affected workers. Another state had approved a plant-specific project, requiring two members of the committee to approve every individual training plan before it could be funded, although the state labor organization had official administrative responsibility for expending direct service funds for the project. A third state had instructed local substate entities to fund the basic readjustment and retraining providers and services selected by labor-management committees organized by the state (to the dismay of the substate grantees).

Moderate Commitment States—Five of the states visited expressed a moderate commitment to the concept of labor-management committees. These states had each undertaken specific activities to support the formation of labor-management committees but had not actually been involved in the formation of any formal committees under EDWAA at the time of our site visits. In encouraging the formation of labor-management committees, these states sometimes appeared to be "going through the motions" because they wanted to respond to the federal initiative rather than because they were convinced that labor-management committees would strengthen their EDWAA programs.

Low Commitment States—Six of the states visited demonstrated low commitment by not actively encouraging the formation of labor-management committees. However, these states varied widely in their situations and their reasons for not actively supporting the formation of labor-management committees.

One low commitment state delegated all rapid response responsibilities to substate areas. Thus, this state was not in a position to support the formation of labor-management committees directly at the state level.

Three low commitment states considered the formation of labor-management committees to be a state function but did not actively support their formation because of strong anti-labor sentiments within their employer communities. In two states, this was a result of weak labor organizations and strong "right to work" attitudes among employers and within the general populace. The consensus in these states, shared by state and substate area staff, was that unions were so unpopular that support of labor-management committees would disrupt, rather than improve, the delivery of EDWAA services. In one additional state with a strong labor union movement and a high level of labor-management tensions, it was also felt that the promotion of committees would alienate most employers.

Nevertheless, we found that several labor-management committees had been formed in the low commitment states in large corporations with an organized workforce and a generally cooperative history of labor-management relations. State staff in the low commitment states said they cooperated with labor-management committees when the structure already existed or when employers initiated the idea, but did not feel comfortable suggesting the idea to additional employers.

Finally, two low commitment states developed alternative mechanisms for promoting company and worker inputs into rapid response planning and service delivery. One state did not view labor-management committees as viable or efficient organizational structures because of the frequent tensions and disagreements between workers and managers involved in large-scale layoffs. Nevertheless, this state had been very active in promoting separate management and labor contributions to the planning and design of dislocated worker services. Rather than creating formal labor-management committees, this state generally involved worker representatives in informal working committees to plan ongoing plant-specific projects and then designated other organizations to administer the ongoing projects.

The other state promoted the formation of broader committees for large-scale layoffs called "community response teams," involving not only worker and management representatives but also PIC staff, ES staff, and local service providers. One reason this organizational structure was encouraged was to prevent conflict between labor-management committees and substate areas.

Substate Involvement in Supporting Labor-Management Committees

At the substate level, only 2 of the 30 substate areas visited were actively involved in developing labor-management committees on an ongoing basis and had successfully assisted in the formation of a number of committees since the implementation of the EDWAA program. One of these substate areas was in a state that also actively supported labor-management committee development, and one was in a state that did not actively support their formation because it delegated the responsibility for rapid response to the substate area level. One other substate area had assisted in the formation of an informal labor-management group to assist in the design of services for a plant-specific project. The remaining substate areas either had no large-scale layoffs, viewed the support of labor-management committees as a state function, or were not very interested in the concept of labor-management committees.

Organizational Forms and Functions of Labor-Management Committees

Formal labor-management committees had been used in two distinct situations in the states we visited. In some states, labor-management committees had been created to assist with early intervention and the design and delivery of prelayoff services. These labor-management committees, which we have labeled "rapid-response-linked," were formed for many or most layoffs in these states. Rapid-response-linked labor-management committees had been used for

both large and small layoffs/closures and in both unionized and nonunionized workplaces. These committees had a relatively narrow focus on providing services before the layoff and tended to disband shortly after the layoff was completed.

In other states, labor-management committees were formed less frequently, usually had a broader focus and a longer time horizon, and were involved in the design or operation of plant-specific projects that continued after the layoff had occurred. These labor-management committees, which we have labeled "project-linked," were created more often in layoffs with unionized workforces than in nonunionized workplaces. Project-linked labor-management committees had sometimes been designated the recipient of discretionary grants for plant-specific projects. In other situations, they operated in an advisory capacity to the official project administrator.

Although formal labor-management committees had been created with state or substate support in only 5 of the 15 states visited, at least four other states encouraged input from management and worker representatives through informal advisory committees. Below we describe the forms and functions of each of these organizational structures.

Formal Labor-Management Committees Linked to Rapid Response—This variant of labor-management committees had been adapted to the relatively short 60-day advance notice required by the WARN legislation. Labor-management committees of this type became operational as soon as possible to assist in the recruitment of workers into EDWAA services and to contribute to the design of prelayoff services. These committees generally met frequently during the period before the layoff and disbanded shortly after the layoff was completed.

Two states and two substate areas encouraged routine creation of rapid-response-linked labor-management committees for each layoff that occurred unless management was adamantly opposed to the idea. The concept of forming a labor-management committee was presented to management in the initial meeting in a matter-of-fact way in these sites. In one substate area that formed labor-management committees for nearly every layoff, it was described to employers as "the way we do business under EDWAA." In another state that implemented committees slightly less frequently, it was described as the "preferred way to do rapid response" under EDWAA.

Only one of the states that used formal labor-management committees to organize rapid response efforts had funded neutral chairs. In this state, the profile of an ideal neutral chair was an individual who resided in the local community and was respected by both management and labor, perhaps a retired manager from the company experiencing the layoff. In the remaining sites, the committees were asked to designate one of their members as the chair. Sometimes a worker representative was selected as the chair and sometimes a management representative.

In one state using labor-management committees linked to rapid response, committees could be given an official budget authority to expend up to $10,000 for prelayoff services for affected workers. In the other state using rapid-response-linked labor-management committees, an operating budget of at least $30,000 in state funds was provided, with an expectation that the company would provide a similar contribution. Committees in both states were responsible for selecting one or more contractors to provide on-site prelayoff group workshops, such as stress reduction workshops and financial management workshops. In the two substate areas that initiated labor-management committees for rapid response, the committees were used in an advisory capacity rather than being given direct budget authority.

Formal Labor-Management Committees Linked to Plant-Specific Projects—Two states formed labor-management committees only under special circumstances. These committees were formed for longer-term shutdowns, which allowed a long planning period (6 months to 1 year) for committe formation and service planning before the layoffs occurred. These labor-management committees tended to get involved in the design and oversight of retraining and reemployment services for workers affected by large-scale layoffs and sometimes accepted responsibility for ongoing follow-up of workers.

Because of the long planning period and the large-scale nature of the layoffs in which these committees were used, project-linked labor-management committees tended to have a more elaborate and formal organizational structure. Although in theory they were not limited to companies with organized labor, in practice all the labor-management committees linked to plant-specific projects in our study sites were formed in cases where the affected workers were represented by a union. The number of members of the committees in this category ranged from 6 to 10, evenly divided between worker and management representatives.

One state with project-linked labor-management committees attempted to provide neutral chairs for the committees. Initially, the coordinator of the state DWU served as the neutral chair for one committee. More recently, a neutral chair was hired from the local community, with a stipend of $50 for expenses for each meeting attended. The other state with project-linked labor-management committees did not provide funds for neutral chairs.

The specific functions of project-linked labor-management committees varied widely across states and projects and may have been in transition since the implementation of EDWAA. A number of the project-linked labor-management committees observed had been created prior to EDWAA and were still in operation at the time of our site visits. Some of these committees had been designated as the grantees for state and/or federal discretionary Title III funds as well as significant private company funds. For example, one of the labor-management committees visited was responsible for the direction of a $5 million project serving 1,200 workers.

Since the implementation of EDWAA, the decision as to the appropriate role of labor-management committees had been complicated in many cases by the creation of substate entities for the design and delivery of EDWAA services. Although some labor-management committees were still being given executive functions in plant-specific projects under EDWAA, one state proclaimed that the appropriate role of labor-management committees under EDWAA was advisory only and that the substate areas must retain the administrative responsibility for the design and delivery of services to dislocated workers. Another state tried to create situations in which labor-management committees have influence over the expenditure of EDWAA training resources, although they did not designate these committees as the grantees for state discretionary project funds. A third state was trying to pressure substate areas into providing formula funds to support the service providers and postlayoff service plans developed by labor-management committees initiated by the state during rapid response.

Informal Advisory Committees—Although formal labor-management committees had been created in only 5 of the 15 states visited, at least 4 other states had encouraged informal input from management and worker representatives during the early stages of rapid response. These informal advisory committees conducted outreach to affected workers, surveyed worker needs, and assisted in planning for the initial on-site worker orientation meeting and the delivery of prelayoff services. In some states, informal advisory committees were used instead of formal labor-management committees (1) during large-scale layoffs, if the time frame was

too short to develop a full labor-management committee, (2) during layoffs of smaller scale, or (3) if funding was not available for a plant-specific project.

These informal advisory committees were similar in many ways to the rapid-response-linked labor-management committees described above. They were characterized by quick start-up, short life, and relatively narrow focus. However, informal advisory committees were usually organized by the rapid response provider to carry out specific activities under the direction of this provider. Rather than developing their own goals and objectives, informal advisory committees were expected to complete assigned tasks. For example, in one state, advisory committees focused narrowly on planning on-site worker orientation meetings to explain the services that would be available from the substate area after the layoff occurred. (In this state, no prelayoff services were provided other than the initial worker orientation.)

Perceived Barriers to Forming Labor-Management Committees

Labor-management committees have found only limited acceptance to date as mechanisms for achieving labor-management cooperation in the EDWAA program. Among the barriers to their formation and/or problems with their use that were mentioned are the following:

- Only limited advance warning required by WARN. In some instances, employers gave workers 60 days severance pay, rather than 60 days advance warning of the layoff, which made it almost impossible to create a formal committee in time to accomplish anything before the layoff occurred.

- Extended negotiations necessary to create a functioning labor-management committee. Some states have found supporting labor-management committees to be a very time-consuming and frustrating process. Sometimes labor-management tensions persist, undermining the ideal of cooperation.

- Strong anti-union sentiment. In some state and local contexts, strong anti-union feeling among employers makes the promotion of labor-management committees counterproductive in obtaining management cooperation.

- Difficulty establishing worker representation in a nonunionized workplace. If there is not a union to represent workers, it is difficult to establish a committee that can speak about worker interests with a coherent voice.

- Lack of clarity about labor-management committee versus substate area roles. It is difficult to design a clear role for labor-management committees to play

under EDWAA that does not intrude on the responsibility of substate areas to design and manage the delivery of services to dislocated workers.

Other Strategies to Further Labor-Management Cooperation

The EDWAA legislation encourages states and substate areas to work with employers and labor representatives to promote labor-management cooperation in EDWAA planning and service delivery. Labor-management committees are only one vehicle for furthering the goal of labor-management cooperation. This section describes additional state and substate strategies to encourage labor-management cooperation and to encourage input to EDWAA planning and service delivery by management and worker representatives separately.

Strategies to Encourage Joint Labor and Management Input

Several states supported the development of local labor-management councils or "standing labor-management committees" so that a framework to promote labor-management cooperation would already be in place when a specific plant closure or layoff occurred. These standing committees might be called on to help plan plant-specific projects, or they might be used to support the formation of a plant-specific labor-management committee.

Local labor-management councils institutionalize labor-management cooperation as part of overall EDWAA planning as an alternative to planning for each plant-specific layoff or closure. The advantage of ongoing councils is that they do not have to be created from scratch on short notice for each layoff. The disadvantage of labor-management councils is that it is more difficult for the generic labor representatives to speak for the interests of the workers involved in a specific layoff, and thus harder to give affected workers a sense of "ownership" of the services. Perhaps for this reason, local labor-management councils and standing labor-management committees were generally being used as supplements to plant-specific labor-management committees, rather than as substitutes for them.

Other mechanisms that were used to promote joint management-labor inputs into EDWAA planning and service delivery include (1) creating committees for individual layoffs that include broader community representation in addition to labor and management participation, and (2) funding service provider organizations that have a joint labor-management leadership structure. One state used informal "community response teams" for each large-scale layoff, with representation from PIC and Job Service staff and local service providers in addition to management and workers from the affected job site. These teams were used to plan

rapid response activities and prelayoff services. Another state funded incorporated agencies with board representation from labor and management representatives to operate plant-specific projects, rather than using labor-management committees as part of rapid response under EDWAA.

Strategies to Promote Employer Contributions

One of the key objectives of labor-management cooperation is to encourage management involvement, including making financial or in-kind contributions to support the retraining and reemployment of laid-off workers and assisting in developing new jobs for these workers by doing outreach within the local employer community. Several of the states and substate areas visited were promoting management contributions to the planning and delivery of EDWAA services without creating informal labor-management committees. Other states and substate areas emphasized employer contributions as one element of the creation and operation of labor-management committees.

One state always tried to get the firm to contribute financially to a fund to support readjustment services and retraining for affected workers, although it did not encourage the formation of labor-management committees. A service provider in another substate entity that did not use labor-management committees had been successful in getting firms that had laid off large numbers of workers to make in-kind contributions in the form of classroom space for retraining, office equipment and training supplies, and books and computers.

Other states and substate areas emphasized employer contributions as one element of the creation and operation of labor-management committees. One substate area that created labor-management committees for both large and small layoffs tried to get the employer to play an active role in job development efforts by writing letters on behalf of the laid-off workers to other employers in the same industry and/or by sponsoring job fairs at the work site. Another state that created a labor-management committee on a U.S. Army base that was laying off about 300 civilian workers convinced the employer (the U.S. Army, in this case) to release workers over a 9-week period for prelayoff training in computer skills offered at the work site. As a result, all workers had been placed in new jobs by the time the layoff occurred. A third state expected employers to match the state's contribution toward the operating costs of labor-management committees ($30,000 to $35,000 per committee).

Strategies to Promote Worker Input

As required by the EDWAA legislation, states have redesigned the composition of their SJTCCs to include one-third representation from labor representatives and/or community-based organizations. In several states, these labor representatives were active in the development of EDWAA state plans. Organized labor representatives on local PICs have also been active in developing EDWAA policies and program designs in several of the substate areas visited. Labor representatives on SJTCCs and PICs had been involved in fairly broad program design issues, such as indicating support for the provision of long-term training in one state and approving state or substate plans.

In two of the sites we visited, the state or substate area had also given union representatives a more specific role in reviewing program designs and operations. In one state, unions were asked to comment on all proposed OJT positions (both EDWAA and Title II-A), to help ensure that they were in occupations in demand in the local labor market. In another state, one PIC asked the union representing the workers affected by a large-scale layoff to review any applications made for discretionary funding to set up plant-specific projects so that they could influence the design of services.

Seven of the 15 states visited contracted with statewide labor organizations to assist in some aspect of rapid responses. Most often the labor organization staff were asked to assist in the initial meeting with the employer and to promote labor-management coordination in a general sense.

In two states, the state labor organization also operated several different prelayoff workshops for dislocated workers at the work site. One of these states used the state labor organization to provide on-site prelayoff services for all layoffs to which the state provided rapid response. In the other state, the DWU waited for the employer to request the services of the labor organization. Because companies did not often choose to use this service, the potential of the labor organization to provide prelayoff services had not been fully utilized in this state.

Finally, several states and substate areas visited also emphasized the importance of using staff who had themselves been dislocated workers to participate in rapid response and deliver prelayoff services to dislocated workers. In addition, two states and three of the substate areas

visited were using labor organizations as service providers to administer basic readjustment and retraining services.

Substate areas were less likely than states to emphasize the use of former dislocated workers as providers of EDWAA services, perhaps because they often integrated the delivery of EDWAA services with the delivery of Title II-A services. Nevertheless, in three of the substate areas visited, former dislocated workers held key staff positions in an organization providing local EDWAA services. (Each of these substate areas contracted with one or more service providers that specialized in serving dislocated workers.)

SUMMARY AND ISSUES FOR DOL CONSIDERATION

Summary of Results

Formation of Labor-Management Committees

- Although a majority of the states visited encouraged labor and management input into planning for early intervention services and identifying worker needs, only one-third of the states and substate areas visited were committed to the creation of formal labor-management committees and had created at least one new committee since the implementation of the EDWAA legislation.

- States were generally more active in the promotion and support of labor-management committees than substate areas, although substate area staff or substate service providers played an active role in developing labor-management committees in several of the substate areas visited.

- Formal labor-management committees were used in two distinct situations in the states visited. In some states, rapid-response-linked committees were used to assist with early intervention and the design and delivery of prelayoff services. These committees tended to disband shortly after the layoff was complete.

- In other states, project-linked committees were formed to help design and play a role in administering plant-specific projects that continued to serve affected workers in a special setting during an extended layoff. These committees usually continued to operate after the layoff had occurred until all affected workers had completed basic readjustment and retraining activities.

States and substate areas that were not using labor-management committees mentioned a number of barriers preventing their use, including:

—The difficulty of forming a committee within the short time frame created by the 60-day advance warning requirements of WARN.

—The time-consuming and frustrating nature of the negotiations required to create a functioning labor-management committee, particularly in situations where labor-management tensions are high.

—The existence of strong anti-union sentiment among employers in some communities that would make the promotion of labor-management committees counterproductive to obtaining management cooperation with rapid response activities.

—The difficulty of selecting worker representatives who can speak for the workers in a workplace without organized labor.

—A lack of clarity about the intended role of committees in administering plant-specific projects, especially vis-a-vis the substate grantee's financial responsibility for overseeing the expenditure of substate retraining funds.

Use of Other Mechanisms to Promote Labor-Management Contributions

- Several states had supported the development of local labor-management councils or "standing labor-management committees" to provide an ongoing organizational framework that would already be in place when a specific plant closure or layoff occurred. These committees were used to assist in planning dislocated worker services either instead of or in combination with plant-specific labor-management committees.

  Other mechanisms used to promote joint labor and management involvement in responding to specific layoffs in the study states included:

  —The creation of community response teams consisting of representatives from labor, management, local service providers, and the local substate area to plan rapid response activities and prelayoff services in response to individual large-scale layoffs in one state.

  —The selection of incorporated agencies with board representation from labor and management to operate plant-specific projects in another state.

- In addition, a number of states encouraged separate contributions by labor and management in planning, funding, and operating dislocated worker services. Specific mechanisms included:

  —Soliciting financial or in-kind contributions from employers to support the retraining and reemployment of laid-off workers.

— Attempting to get employers to play an active role in job development for laid-off workers by using contacts with other local employers in the same industry and sponsoring job fairs at the work site.

— Asking labor representatives to review plans for plant-specific projects or general dislocated worker services.

— Using representatives of state or local labor organizations to participate in rapid response worker orientations or the design and delivery of prelayoff services.

— Using service provider staff who had themselves been dislocated workers in the past to provide services to EDWAA participants in plant-specific projects or general dislocated worker services.

Issues for DOL's Consideration

Given these findings on labor and management cooperation and contribution, DOL may want to consider several issues.

Emphasis on Organizational Form, Rather Than Function—Some states are concentrating more on the forms of labor-management committees than on how they will improve EDWAA services. We observed a number of states and substate areas "going through the motions" of supporting committees without understanding why they are being encouraged to do so or what other mechanisms might further the same objectives. Thus, DOL may wish to emphasize the different objectives that labor-management cooperation is intended to further rather than promoting a specific organizational format (i.e., the labor-management committee model).

DOL may want to encourage state-to-state technical assistance, using states that have implemented a variety of different techniques to promote labor-management cooperation and consumer responsiveness to disseminate these mechanisms to additional states and substate areas. This would enable DOL to encourage local diversity and innovation rather than holding out an abstract "ideal model of labor-management committees" that may or may not be attractive to local actors or appropriate to local needs.

Tensions Between Responsibilities of Substate Areas and Labor Management Committees—The creation of substate areas for the design and delivery of services to dislocated workers under EDWAA has complicated the context within which project-linked labor-management committees operate. Before EDWAA, a number of such committees were given some administrative responsibilities for plant-specific projects. Under EDWAA, DOL and states need to rethink and clarify the intended roles and responsibilities of substate areas and labor-management committees in designing and overseeing the implementation of plant-specific projects.

Lack of Consumer Involvement in General Substate Area Programs—Mechanisms to promote labor and management involvement and consumer responsiveness are not as frequently used in the design and delivery of general dislocated worker services by substate areas as they are for plant-specific projects or services. DOL and states may want to encourage substate entities to develop procedures to take advantage of employer and worker contributions in designing and operating all dislocated worker services at the substate level.

COORDINATION BETWEEN EDWAA AND OTHER PROGRAMS

The second aspect of EDWAA that involves both state and substate design decisions is the coordination of EDWAA services with those of other agencies. This section describes EDWAA coordination with the ES/UI system, Trade Adjustment Assistance (TAA) programs, economic development activities, other employment and training programs, and human service agency programs.

Legislative Provisions

Coordination of EDWAA services with related programs is a goal throughout the EDWAA legislation. Several types of coordination are considered important. The legislation calls for:

- Services for dislocated workers funded under EDWAA to be coordinated with other public and private programs designed to address the problems of dislocated workers, including TAA or other federally funded programs addressing problems of workers in specific industries, state-funded programs to assist dislocated workers, and private efforts.

- Information exchange and coordination of programs between the state DWU and the state Employment Service (ES) and Unemployment Insurance (UI) systems.

- The state DWU to coordinate programs with the state economic development agency to develop strategies to avert plant closings or mass layoffs and to develop new jobs to promote rapid reemployment of dislocated workers.

- The state DWU to coordinate with state education, training, and social service programs to supplement and complement the EDWAA service delivery capacity with services paid for by other funding streams.

At the substate level, the legislative emphasis on coordination is more general, with a requirement that substate plans describe how "coordination with other appropriate programs, services, and systems will be effected," with an emphasis on being able to offer an enriched package of services to dislocated workers at no additional cost to the EDWAA budget.

Intended Goals of Coordination

The intended purpose of coordination between EDWAA and other agencies is both to enhance the services provided to dislocated workers and to increase the efficiency with which limited EDWAA resources are used. Specifically, the goals include:

- To promote and exchange information about potential dislocations and reemployment opportunities.

- To increase the number and timeliness of referrals of dislocated workers to the EDWAA program.

- To increase the financial resources to fund training and/or supportive services for dislocated workers.

- To avoid duplication of effort by making use of existing service systems and expertise in the community.

In this section, we discuss the efforts to coordinate with the various agencies identified in the legislation and summarize the extent to which these efforts have furthered the goals of coordination.

Coordination with ES/UI Programs

Forms of Coordination with ES/UI Programs

Employment Service (ES) and Unemployment Insurance (UI) systems are highly integrated at both the state and substate levels. Further, UI and ES activities are often collocated or coadministered in substate areas, operating from combined regional or local offices. Only one substate area reported having difficulty coordinating client intake because the ES and UI were located separately. Because of this high degree of integration, we discuss the coordination between EDWAA and the combined ES/UI system.

Our sample of states and substate areas used several methods of coordinating EDWAA and ES/UI programs, including:

- Coadministration and/or collocation
- Financial coordination
- Nonfinancial agreements
- Joint workgroups or routine meetings.

We discuss each of these methods below.

Coadministration or Collocation—First, coordination with ES/UI was enhanced when EDWAA program staff or offices were collocated with those of other agencies or when staff administered both EDWAA and other programs. The state EDWAA DWU was housed within the agency that administers the ES/UI system in five states (the ES/UI system in these states also administers TAA). Such coordination at the substate level was less common. In one substate area, the local ES office was the EDWAA grantee. In three substate areas, at least some ES/UI staff were collocated with EDWAA staff.

Financial Coordination—The second method of coordination was financial agreements between EDWAA and the ES/UI system. The UI system in nine states received EDWAA 40% funds. Most of the funds were specifically directed to support rapid response activities, paying for ES/UI staff time during rapid response.

EDWAA 40% funds were also used to support other ES/UI activities in several other states. For example, one state created a special set-aside for the ES/UI program to identify long-

term unemployed for substate areas, provide information about UI and TAA receipt by EDWAA applicants, and help coordinate out-of-area job searches and relocation services. Several other states provided special programs or services through ES/UI providers with 40% funds. In one state, basic readjustment services were offered through local ES/UI providers. In another state, ES/UI operated a program that provided readjustment services and retraining referrals for dislocated workers.

Local ES offices received 50% formula funds from four substate areas to provide dislocated worker services. In three of these areas, ES/UI was the sole substate contractor; in one site, ES/UI was the largest of five local contractors.

Nonfinancial Agreements—Third, 11 states developed nonfinancial agreements to coordinate EDWAA activities with state ES/UI agencies. Three states that did not have coordination agreements with ES/UI were located within the same state agency that administers the EDWAA program; respondents believed that coordination was readily achieved and constructing the agreements would be a waste of time.

Nineteen substate areas also had nonfinancial agreements with ES/UI. In most cases, these agreements were developed locally. In four substate areas, however, these agreements were developed by the state and passed down to local EDWAA programs. One state specified all agencies and services with which substate areas were to coordinate. The agreement detailed strategies that substate areas must use to reduce program costs by using services provided by other agencies, including ES/UI.

Joint Workgroups or Meetings—Fourth, four states provided a joint forum for frequent discussion about planning and implementing EDWAA services. In one state, a system of regional steering committees provided oversight to local EDWAA programs. These committees met frequently, and staff from the local ES/UI agencies were members. In another state, a "core group" of agency directors and elected officials gave guidance and planning information to the substate area.

In one substate area, coordination with ES/UI programs was enhanced through weekly meetings held by the substate area for all service providers, including ES/UI staff, who conducted intake and eligibility assessments. Each week, all providers shared client intake and outcome information, expenditures, and requests for additional funding. ES/UI staff were able

to inform providers of any changes in their operations, provide TAA petition and certification information, and answer any questions and complaints.

In one state, monthly meetings involving SDAs and service providers enhanced substate coordination with ES/UI programs. Directors from all substate areas met with directors from local ES agencies as well as with state EDWAA and ES staff. The group discussed EDWAA planning and implementation, along with other JTPA programs.

Effects of Coordination with ES/UI Programs

Coordination most directly influenced the exchange of information between ES/UI and EDWAA at both state and substate levels. Information was commonly exchanged for a variety of purposes: (1) planning, (2) identifying layoffs and closings, (3) informing UI claimants about EDWAA programs and referring dislocated workers, and (4) determining EDWAA eligibility. Coordination also resulted in the ES/UI system's providing services to dislocated workers. We discuss each of these activities below.

Planning—Most states used ES/UI data to develop strategies for implementing EDWAA programs and to allocate funds to substate areas. Labor market information and UI claimant information were used to determine which industries were most affected by dislocations, where dislocations occurred, and the characteristics of dislocated workers.

As discussed in Chapter III, UI claimant information was often used to construct measures used in substate allocation formulas. For example, long-term unemployment measures often used claimant information supplied by the UI system (e.g., the number of claimants enrolled 15 weeks or more, the number of UI exhaustees). The ES also provided labor market information to identify areas of declining industries or areas experiencing closures and layoffs.

Identifying Layoffs and Closures—Because the WARN legislation does not cover all layoffs and because not all employers comply with its requirements, the ES/UI role in identifying eligible dislocated workers from non-WARN layoffs and closings is crucial. Several substate areas relied extensively on the UI system to identify non-WARN layoffs and closings. Further, two states' UI systems automatically notified the DWU when more than a specified number of workers from a single plant applied for UI benefits, as described in Chapter VI.

Referrals—Referrals of dislocated workers were also common between ES/UI and EDWAA. The ES/UI system comes into contact with a wide range of EDWAA-eligible claimants, including the long-term unemployed and workers dislocated from non-WARN closings and layoffs, who were often referred to the EDWAA program.

Further, several ES/UI agencies routinely informed UI claimants about EDWAA programs. Often the UI program mailed brochures about EDWAA to all claimants; in other cases, the information was conveyed by counselors during intake. Several states included EDWAA information with claimants' UI checks. In two other states, claimants were encouraged by UI staff to enroll in EDWAA programs before they exhausted their UI benefits. Policies such as these helped promote continuous financial support for participants undergoing retraining, increasing their ability to complete longer programs.

Determining Eligibility—In all of the substate areas, UI systems helped to determine EDWAA eligibility. Some had only a cursory role, such as verifying UI claimant status, while for others the role was more extensive. The UI in one state conducted "eligibility review checks" to determine whether current claimants' backgrounds met the criteria for the EDWAA program; this was a common link between UI and EDWAA. Another state fully integrated client files for education, social services, and job training programs; EDWAA eligibility was automatically checked once a client was entered into the system from any other agency. In these states, close coordination with the ES/UI system speeded up the application process, getting workers into basic readjustment and retraining programs quickly.

Providing Services—As discussed in the next chapter, state ES/UI staff were involved in rapid response in all states, but the level of involvement varied. At a minimum, local ES/UI staff presented information during orientation meetings arranged for affected workers. In some cases, local UI staff distributed claim forms and/or conducted preliminary eligibility screening for EDWAA participants. In two states, however, ES/UI involvement in rapid response was more extensive. The ES in one state led responses to WARN notices and coordinated rapid response activities. In the other state, the ES/UI was the statewide rapid response contractor. Thus, ES/UI and EDWAA were well integrated during rapid response.

In about one-third of the substate areas studied, ES/UI staff also performed additional administrative functions for the EDWAA program, including assessment, provision of basic readjustment services, and/or determination of who was appropriate for retraining services provided by the substate area's general dislocated worker program and referral for retraining.

Occasionally these functions were arranged and paid for by the substate entity. More often, they were arranged by the state agency responsible for EDWAA, and either reimbursed from 40% funds or made available from Wagner-Peyser-funded functions.

The ES was also an important source of information about job availability at the state and local levels. Local ES staff often used ES job listings to develop career strategies for EDWAA participants.

ES/UI Coordination Issues

Although coordination between EDWAA and the ES/UI system was well developed in most areas, conflict between the substate area and the ES/UI system affected coordination in seven substate areas. All of these areas experienced a change in organization from the previous Title III to EDWAA; in most, the ES/UI system had operated the previous Title III programs. When the substate area entered the scene as an administrative authority, strained relationships resulted. Respondents in substate areas with mild conflict indicated that referrals between agencies had decreased. In one substate area, however, the conflict erupted in constant "turf" battles between agencies. As a result, the programs were virtually isolated from each other.

Policies adopted by several substate areas, however, helped to reduce conflict between agencies when roles changed during the transition from Title III to EDWAA. For example, in one substate area, if an ES/UI client was referred to the EDWAA program, both agencies would get positive outcome credit when the client finished his or her training. In another substate area, applicants in EDWAA and the ES were coenrolled and joint employability plans were developed.

Summary of ES/UI Coordination

EDWAA coordination with the ES/UI system appears to be particularly strong. States and substate areas coordinated through (1) collocation/coadministration of programs and staffs, (2) financial agreements, (3) nonfinancial agreements, and (4) workgroups or regular meetings.

ES/UI's chief contribution to EDWAA effectiveness was information. Labor market information and UI claimant data were used to plan EDWAA programs and the allocation of EDWAA resources to substate areas. Identifying non-WARN layoffs and closures as well as EDWAA-eligible participants was also an important role of ES/UI, particularly given the gaps in

the WARN legislation and low compliance among businesses in some states. Information about EDWAA eligibility was another way ES/UI provided data to EDWAA programs.

The ES/UI system also provided some EDWAA services. In all states, ES/UI provided initial services during rapid response; in several other areas, ES/UI provided some basic readjustment services.

In seven substate areas, however, coordination between EDWAA and ES/UI was hampered by the poor relationships between substate areas and ES/UI systems. In contrast, several substate areas established policies emphasizing mutual program goals to help reduce the conflict that often accompanies organizational change.

Coordination with TAA

The goal of TAA—assisting those who become unemployed because of increased imports—overlaps with the broader goals of EDWAA. As a result, workers who become unemployed from TAA-certified businesses are also eligible for EDWAA services. Coordination is needed, therefore, to prevent duplication of services. Further, TAA legislation requires state agencies to coordinate training activities with the JTPA Title III grant recipient.

Forms of Coordination with TAA

There was some integration of TAA and EDWAA staff at both state and substate levels. In six states, TAA was administered by the same agency that administered EDWAA. Further, in five of these states, EDWAA was administered by ES/UI staff, thus promoting close relationships between TAA, ES/UI, and EDWAA.

In one substate area, TAA staff were included on the regional committee that oversees planning and implementation of EDWAA activities. Although TAA was not collocated with any substate grantees, the TAA program was collocated or coadministered with ES/UI staff in 10 substate areas.

Financial linkages also tied EDWAA programs with TAA. One state had little administrative funding for TAA, so local ES staff who coordinate TAA with EDWAA were paid with EDWAA 40% funds. In six substate areas, TAA and EDWAA training services were cofunded, as discussed below.

At least 10 states had developed written, nonfinancial coordination guidelines for TAA. And over half of the substate areas had written agreements to coordinate EDWAA with TAA programs. Further, eight states had developed additional policies regarding mutual referrals and cofunding of TAA and EDWAA client services.

Effects of Coordination with TAA

Two states coordinated with TAA during rapid response activities. TAA staff were included in these states' rapid response teams, and the petition process for TAA eligibility could begin during the first meetings with management and workers.

Several states helped to provide continuous services for dislocated workers through enrollment and referral policies. This was accomplished either (1) through policies to serve both TAA and EDWAA-eligible dislocated workers or (2) through policies to refer participants of one program to the other when benefits were exhausted. These policies may be broken down further into those that require dislocated workers to enroll in TAA or EDWAA first.

Three states developed policies to allow dislocated workers who are eligible for both EDWAA and TAA to enroll in both programs. Another substate area also dually enrolled dislocated workers, although not through any consistent policy. Dual enrollment allowed agencies to leverage resources from both programs. For example, in one state, a TAA-eligible worker may receive $1,200 in training from EDWAA with TAA picking up the remaining expenses; thus, TAA funding is sometimes leveraged with substate EDWAA funding in these states.

In contrast, five states did not permit coenrollment and cofunding of programs. Four of these states developed policies that required dually eligible dislocated workers to be enrolled in TAA first. Respondents in each of these states indicated that funding from TAA was more generous than that from the EDWAA program, the length of program duration was greater, and provisions for supportive services and extended UI benefits were better.

Enrollment of all dually eligible dislocated workers in EDWAA first was required by one state. Respondents in this state cited the lack of state TAA funds as the reason for this choice. Another state did not require enrollment of dislocated workers in EDWAA first but strongly encouraged its substate areas to do so. The state was concerned about low EDWAA expenditures and saw service to TAA-eligible dislocated workers as another way to expend

EDWAA funds. State staff reasoned that this was supported by TAA provisions requiring states to use other funding sources first if other programs serve the same pool of eligible clients.

Policies in five other states left referral and enrollment decisions up to substate areas. In these states, local characteristics such as funding availability and the types and patterns of layoff activity determined into which program a dislocated worker was enrolled. Several substate areas provided EDWAA services for dislocated workers while they waited for their TAA petitions to be certified.

Factors Influencing Coordination with TAA

Referrals between TAA and EDWAA were greatly influenced by the TAA petitioning process. Because of the complexity of TAA petitioning and eligibility requirements, delays in providing services to eligible dislocated workers were common. Several states helped bridge the gap in services by referring TAA-eligible dislocated workers to EDWAA while they waited for TAA certification. In some states, however, the lack of referral policies resulted in dislocated workers' not receiving any services—from EDWAA or from TAA. For example, respondents in one substate area noted that the lags between the times when TAA petitions were submitted and when the layoff was certified were unduly long. During the interim, clients were not referred to other programs, such as EDWAA, for which they may have been eligible. By the time the layoffs were certified TAA eligible, few dislocated workers could be located for enrollment.

States that had well-developed TAA petitioning processes tended to coordinate well with EDWAA. For example, referrals between programs occurred more frequently in those states that identified and tracked TAA-eligible dislocated workers. One state continually updated its client files with the most recent information on TAA petitions and certifications. In some cases, UI staff matched one client that filed for TAA with other claimants from the same company to have them petition to have their closing certified as TAA-eligible. Another state's client database, which integrated information from human services, education, and job training programs, tracked certification status and informed agencies when their clients became eligible for TAA benefits including monthly training allowances.

Proactive policies in two states helped identify and certify TAA dislocations early, facilitating referrals with EDWAA. State TAA staff in one substate area helped search for representatives to petition for TAA benefits, if applicable. They even appealed petitions that were previously denied. In another substate area, a TAA representative, housed in the ES/UI

branch office, attempted to get employers to petition for TAA certification, but, failing this, he identified UI claimants from the closed plant to file petitions. Several state labor organizations funded by states to participate in EDWAA rapid response activities also assisted unions in preparing TAA petitions.

Summary of TAA Coordination

The fact that TAA is a complex program impeded effective coordination in many states and substate areas. Nonetheless, effective coordination strategies were developed in several states. These states embraced a cooperative philosophy and considered EDWAA and TAA to be mutually beneficial to dislocated workers. As one respondent put it, "every dollar provided for an eligible TAA recipient is a dollar freed to serve EDWAA participants." Moreover, these states displayed an interest in providing dislocated workers with more extensive benefits, including supportive services and UI extensions to promote completion of longer training programs.

Important strategies for effective coordination with TAA in these states included the following:

- TAA petitioning processes were coordinated as early as possible, sometimes during rapid response activities.
- Staff were proactive, searching for eligible dislocated workers to petition for TAA benefits.
- A tracking system was developed to identify dislocated workers and update TAA certifications to ensure that eligible claimants received TAA benefits.
- Explicit referral policies were developed that outlined agency responsibilities and clearly stated the point at which participants should be referred from one program to the other.

Together these policies created more effective systems for serving dislocated workers; administrative lag time was reduced, facilitating quicker enrollment in programs; participants were able to continue with long-term training without interruptions due to reduced UI or supportive payments; and duplication of services was avoided.

TAA, however, is a complex program. Respondents at both the state and substate levels were confused about the goals of TAA, TAA eligibility provisions, and what coordination strategies to use. Further technical assistance is needed to improve coordination with TAA.

Coordination with Economic Development

Forms of Coordination

Coordination with economic development efforts occurred mostly at the state level. Nine states had developed coordination linkages with economic development agencies that attempt to identify companies in need of help. Unlike with ES/UI and TAA, collocation or coadministration with economic development was rare. In one state, the DWU was located within the same department as the state economic development agency; however, except for sharing WARN information, the two divisions rarely interacted. In another state, the development agency was located with the ES, which was the rapid response contractor for the state, but again there was little coordination aside from passing on WARN information.

In several states, EDWAA and economic development efforts were linked through financial agreements. One state had made a $250,000 grant to the economic development agency that supported coordination between the DWU and economic development staff. In two states, EDWAA 40% funds were used to initiate prefeasibility studies of alternatives to closing plants. EDWAA training services were linked with economic development efforts to attract businesses in several other states.

Nine states had written nonfinancial agreements, usually limited to establishing WARN procedures between state DWU and economic development staff. Very few substate areas had written agreements with local economic development agencies.

Effects of Coordination

Coordination to Avert Layoffs—One of the key reasons for coordinating EDWAA with economic development efforts is to share information about potential closings or layoffs. At the state level, the WARN process provided the mechanism through which most EDWAA and economic development agencies shared information. Economic development staff in nine states routinely received WARN information. The information often flowed in one direction, with the DWU informing state economic development staff when a WARN notice was received. However, in one state the economic development agency routinely informed the DWU when its efforts to avert a layoff had failed and EDWAA response was appropriate. A reverse flow of

information was also important in another state, where the economic development agency was a member of the rapid response team and took the lead in instances where the employer initiated contact with economic development first.

EDWAA funds were used in two states to research alternatives to closing plants. Because a full study is very costly (over $150,000 in one case), one state used $45,000 in EDWAA 40% funds to explore whether or not a buyout was possible before committing substantial state funds to a full feasibility study. Eventually, one firm in the state, a wood products manufacturing plant, was sold to its 600 employees. The other state, however, had little success preventing the layoffs; the companies involved were usually "too far gone."

Referrals to Economic Development Training Projects—Under Title III, several states used funds to prevent plant closures by retraining workers at businesses that needed to retool or upgrade their old technology. Respondents in these states were disappointed that they could no longer use EDWAA funds to retrain currently employed workers.

As an alternative, several states continued to offer this service through state-funded programs. Between $2.5 million and $6 million were available in these states to support "preventive retraining" for currently employed workers. Often economic development agencies administered these programs.

Some economic development agencies also operated training projects for which dislocated workers were eligible. In eight substate areas, economic development agencies coordinated their employer-oriented training activities, designed to recruit new businesses and assist in plans to expand existing businesses, with EDWAA. In four substate areas, economic development training programs operated OJT and customized training to attract new business to which EDWAA participants were sometimes referred.

Economic Development Oriented Projects Using EDWAA Funds—Several substate areas used EDWAA funds to train dislocated workers for jobs in new or expanding companies using OJTs or customized training programs. In addition, several states used 40% funds to support entrepreneurial training projects, and one local economic development agency created an entrepreneurial training program using EDWAA 10% funds.

One way that EDWAA funds were used to promote economic development efforts is illustrated by one substate area, where economic development staff were instrumental in

developing a project to hire and retrain workers using new production techniques. Development specialists helped create a customized training program for a shipbuilding company that was downsizing but retooling to build wooden ships. As a result, the company acquired a contract to build minesweepers for the U.S. Navy, and the company expanded.

Economic Development Issues

Well-executed coordination does not always produce the intended program results. Two problems related to economic development illustrate this point. First, in a few substate areas, coordination between EDWAA and economic development was well developed, but the goals of EDWAA were not strong enough to resist local economic development objectives.

As we discussed in Chapter III, several substate areas were oriented to serving the needs of local employers; this employer orientation was reinforced through coordination with economic development agencies. For example, one substate area facilitated a meeting of new employers and gave them a list of dislocated workers. The employers then decided among themselves which employer would hire which dislocated workers and at what wages. The substate area then wrote OJT contracts for the selected workers. This approach probably reduced competition among employers for qualified workers and reduced wages. Instances were also mentioned where the EDWAA program was involved in plant buyouts that removed the union and wrote OJT contracts for the new nonunionized workers.

In seven substate areas, however, coordination with economic development efforts did not undermine EDWAA goals. In these substate areas, economic development projects were but one of several alternative programs to which dislocated workers could be referred, so the goals of the economic development agencies did not overwhelm EDWAA goals. At the very least, there was mutual understanding of each agency's goals. One state, for example, developed coordination guidelines that explicitly identified the separate goals of the coordinating programs. The guidelines indicated that the EDWAA program had a participant perspective while the economic development agency had an employer perspective. This approach may be valuable, both in working out coordination procedures and in guarding against the diffusion of EDWAA program goals.

A second problem with coordinating EDWAA with economic development agencies occurred because of the inherently different missions of these programs. In two states, coordination between economic development and the DWU was hampered because of the

former's sensitivity to the perceptions of business owners. For example, a company was about to close its doors but was in the midst of negotiating with employees. Although the company allowed state economic development staff to participate in the negotiations, the economic development staff, knowing that the impending layoffs would occur regardless of the outcome of talks, would not allow DWU staff to participate nor did they keep them informed about the dislocations. According to one member of the development staff, bringing in the DWU would have been perceived as a "heavy handed" gesture of state intervention by local businesses.

Summary of Economic Development Coordination

Several economic development agencies coordinated with EDWAA during the WARN process, where they attempted to avert layoffs by presenting alternatives to closure. Two states used EDWAA funds to implement prefeasibility studies. Success, however, was very rare.

Efforts to coordinate with state-funded economic development training programs were more successful. Referrals between EDWAA participants and training projects administered by economic development agencies occurred in several states. Further, in four states, economic development staff were instrumental in creating EDWAA-funded projects to attract businesses into the area by retraining dislocated workers.

Coordination with Education Agencies

Coordination with education agencies was extensive, occurring primarily at the local level. Eleven states developed agreements between EDWAA and education agencies. They were, for the most part, general statements of an intent to coordinate.

Several states developed financial linkages between EDWAA and education agencies. Two states used 40% funds to support EDWAA training at state-approved vocational schools. One state education agency received 40% EDWAA funds to design and implement customized, employer-specific training.

The bulk of coordination, however, occurred locally, where substate areas frequently used formula allocated funds to purchase training services from vocational schools, community colleges, and proprietary schools. Relationships with local education agencies were frequently long-standing, developed by contracting for services for Title II-A programs. A number of substate areas used public educational institutions, when possible, to take advantage of the lower cost of training to the EDWAA program from schools receiving taxpayer support.

States used a variety of other state or federal education funds to enhance training services for EDWAA participants. One state served dislocated workers through customized training programs for employers through a program funded with state vocational education dollars. Federal Carl Perkins funds for vocational education were used by several states to enhance services. In one state, the funds were used to serve older dislocated workers and increase training services to workers dislocated from farming and ranching jobs.

At the substate level, Pell grants and guaranteed loans frequently supplemented EDWAA funding. Further, two substate areas coordinated closely with community colleges to provide as many supplementary education funds as possible. Both of these areas had a special dislocated worker coordinator who worked with financial aid staff at the local college to file all appropriate financial aid forms for EDWAA participants. One substate area used Carl Perkins funds to provide more classroom retraining and supportive services for dislocated workers.

Coordination with Other Employment and Training Programs

Nearly all coordination between EDWAA and JTPA Title II-A programs was facilitated by collocation and coadministration at both the state and substate levels. At the state level, staff who administered Title II-A programs also administered EDWAA, linking policy development, planning, and administrative activities such as data collection, oversight, and monitoring.

Only one exception to state coadministration was found. Two substate areas in this state administered EDWAA through a series of regional centers that coordinated activities for dislocated workers; EDWAA programs were operated entirely separately from SDAs' JTPA activities, although some training providers provided services to both programs.

Coenrollment in Title II-A and EDWAA was very rare: in only one substate area was coenrollment widely used. Coenrolled participants, who were mostly long-term unemployed workers, received EDWAA funding for training services and Title II-A funding for supportive payments. Further, in several other substates, many EDWAA participants had previously received Title II-A services.

As discussed in Chapter IV, EDWAA and Title II-A service delivery was at least partially integrated in over two-thirds of the substate areas. In the eight substate areas where the programs were entirely distinct, mutual referrals occurred between the two programs.

Coordination with Human Services Agencies

Coordination with human services agencies was decentralized and largely informal. There were few instances in which EDWAA and human services agencies were collocated: one was at the state level, where human services and employment and training shared client intake services and data; the other was at the substate level. Even at the substate level, coordination was decentralized; in at least two substate areas, the substate grantee made service providers responsible for coordinating with human services agencies.

Nine states developed coordination agreements with state human services agencies. State-level coordination agreements were largely general policy statements of intent to coordinate services when appropriate.

Three states coordinated EDWAA and human services programs frequently, using referrals. One state had a client database, centralized at the state, in which all agencies—education, social services, and job training—clients were listed. Eligibility for other programs was automatically checked and clients were referred. The second state targeted older dislocated workers and displaced homemakers and combined EDWAA retraining services with child care and other services offered by the social services agency. The strategy was used to promote longer training for these hard-to-serve workers.

The third state established a policy that prevented EDWAA participants from receiving readjustment services through EDWAA funds if they were eligible for other local and state programs. EDWAA participants were frequently referred to the county welfare department to receive child care, transportation, and health care services from state funds.

At least a third of the substate areas made referrals to human services agencies. In most substate areas, referrals were conducted on an individual basis; there usually was no policy for consistently sharing information and making referrals.

Three substate areas did not refer EDWAA participants to human services agencies. Staff in these substate areas indicated that EDWAA participants were more skilled and better educated and, therefore, were not appropriate to receive "welfare" services from local agencies.

Factors Influencing Coordination

Several factors either promoted or hampered coordination between EDWAA and other agencies, including (1) leadership, (2) organizational change, (3) experience, (4) common or divergent goals, and (5) collocation/coadministration of programs and staffs. These are further discussed below.

Strong leadership, at both state and local levels, promoted coordination efforts. In five states that tended to have good coordination, local staff indicated that strong leadership from the state helped substate coordination efforts. Policymakers in one state promoted an association of SDA directors to facilitate coordination of EDWAA during the planning stage. In another state, the commissioner in charge of job training programs made coordination a priority during the transition year, which positively affected EDWAA programs. Leadership was especially important for coordinating with TAA programs.

Organizational change had an unintended negative impact on EDWAA coordination, especially with the ES/UI system. As discussed above, seven substate areas experienced conflict with the ES/UI system when the substate area became the grant recipient in place of the ES/UI agency, which had operated previous Title III programs. Referrals between these agencies declined under EDWAA; in one substate area, they stopped altogether.

Experience had a strong, positive influence on coordination. In several areas, the basic delivery system remained unchanged, even though a new agency became the grant recipient. Although there was considerable conflict between the substate area and service providers in two of these areas, service providers coordinated well with each other, as they had during Title III, leaving referrals between programs unaffected. The prior experience of these service providers in coordinating Title III programs facilitated EDWAA coordination during a period of conflict and change.

Coordination was enhanced between programs when common goals were defined and/or common interests emphasized. In two substate areas where the roles of the ES/UI agency and the substate area had changed, breeding potential conflict, the mutual interests of the agencies were emphasized by giving both credit for positive client outcomes. Further, several states and substate areas with economic development projects constructed agreements that defined the distinct goals of each agency and the mutual benefits derived from the training projects; such

definitions promoted a balance between the goals of economic development agencies and EDWAA program goals.

Collocation and/or coadministration of programs facilitated coordination. In the six states in which ES/UI and EDWAA were collocated, coordination was generally good between agencies. However, the close working relationship between ES/UI and EDWAA in the five states in which ES/UI also administered TAA did not improve coordination with that program. Thus, collocation or coadministration facilitated coordination, but other factors such as strong leadership or clearly defined goals were also needed to coordinate complex programs with EDWAA.

SUMMARY AND ISSUES FOR DOL'S CONSIDERATION

Summary of Results

Coordination with the ES/UI System

- Methods of coordination between EDWAA and ES/UI programs included coadministration and/or collocation of the two programs, financial agreements between the two systems, nonfinancial coordination agreements, and joint workgroups or regularly scheduled joint meetings.

- One-third of the study states housed the DWU in the same state agency that administered the ES/UI system. Collocation at the substate level was less common, although in one substate area visited, the local ES office had been designated as the EDWAA substate grantee. In several other substates, states or substate grantees had contracted with the ES agency to operate various aspects of the EDWAA program.

- Nearly two-thirds of the study states provided EDWAA 40% funds to the ES/UI agency to support ES/UI staff participating in rapid response activities. In several states, EDWAA 40% funds were used to purchase additional services from the ES/UI system, including assistance in identifying long-term unemployed individuals, assistance in coordinating out-of-area job search and relocation assistance for EDWAA participants, or the provision of basic readjustment services and retraining referrals to dislocated workers.

- Most states had developed nonfinancial agreements to coordinate EDWAA activities with state ES/UI agencies. Nearly two-thirds of the substate areas also had nonfinancial agreements with the local ES/UI system. These agreements were usually negotiated at the local level, although several states had developed agreements that were "passed down" to the substate agency level.

- Where the ES/UI staff were involved in EDWAA service delivery, coordination was usually enhanced through monthly or weekly meetings among all EDWAA service providers.

- In terms of increasing the effectiveness of EDWAA services, coordination with the ES/UI system most directly increased the availability of relevant information to the EDWAA system about the extent and location of recent layoffs and closings and the identity and EDWAA eligibility of recently laid-off workers. ES/UI coordination mechanisms also were useful in spreading information about EDWAA programs to potentially eligible UI applicants and recipients.

- ES/UI coordination also strengthened the ability of the EDWAA system to provide initial services during rapid response. Sometimes these services were paid for out of EDWAA funds provided by the state or substate level. In other cases, coordinated services were supported with Wagner-Peyser funds.

- In several study sites, the ES/UI system took primary responsibility for intake, assessment, and providing basic readjustment services to dislocated workers under a financial agreement with the state or substate area, leaving the substate areas with primary responsibility for provision of services to workers referred by the ES because they were interested in entering retraining programs.

Coordination with Trade Adjustment Assistance (TAA)

- About one-third of the states and substate areas had organizational linkages between TAA and ES/UI (e.g., collocation of these functions in the same agency or even the same staff) that should have facilitated coordination between EDWAA and the TAA system.

- Over two-thirds of the states and one-half of the substate areas had developed written nonfinancial coordination guidelines to link EDWAA and TAA/TRA funds.

- Despite the interest in coordinating EDWAA with TAA, coordination efforts had relatively little effect on the services available to EDWAA participants in most states. Only three states had developed policies to permit dual enrollment of EDWAA- and TAA-eligible workers in both programs. Sequential enrollment was practiced in most other states, with the transfer of workers from one program to the other after benefits from one program were exhausted. (In some states, enrollment in EDWAA was required before enrollment in TAA for dual eligibles; in other states, enrollment in TAA was required first.)

- Delays in certification of TAA petitions created service delivery problems in a number of states, since TAA applicants were not consistently referred to other programs such as EDWAA while they waited for TAA certification.

- Several states demonstrated more effective coordination mechanisms between EDWAA and TAA, motivated by a desire to provide more extensive retraining benefits available to as many workers as possible. Elements of these more effective practices included:

  — Active state involvement in identifying potentially TAA-eligible layoffs early (as part of the EDWAA rapid response process) and encouraging the preparation of TAA petitions on behalf of the affected workers.

  — The development of explicit client referral policies and/or joint individual service plans between the TAA and EDWAA systems.

  — The implementation of a tracking system to update TAA certifications and identify dislocated workers eligible for TAA benefits.

Coordination with Economic Development

- Coordination between EDWAA and economic development agencies and funds took several different forms: (1) joint or coordinated efforts to avert layoffs at firms planning to lay off workers or close plants; (2) economic development agency efforts to provide assistance to employers to upgrade the skills of existing employees or new hires to prevent future layoffs; and (3) use of EDWAA funds to support projects to promote economic development and job creation through providing assistance to new or expanding companies in the local area.

- Joint efforts to avert announced layoffs were a potential goal in about two-thirds of the states visited. However, in most states, the EDWAA involvement in layoff prevention was limited to nonfinancial agreements calling for EDWAA to share WARN notices with the economic development agency, and for the economic development agency to provide the EDWAA system with information about planned layoffs before official WARN notification.

- In three states, the EDWAA system played a more active role in layoff prevention efforts. In one state, EDWAA 40% funds supported the participation of economic development staff as members of the official rapid response team. In two other states, EDWAA 40% funds were available for initiating prefeasibility studies of alternatives to closing plant operations.

- Despite these efforts, states found that plans for layoffs were usually too far along by the time WARN notices were received for layoff prevention efforts to be effective in averting layoffs or closures.

- State funds were used in several states to retrain existing workers at businesses that needed to retool or upgrade old technology to prevent plant closures. In most cases, these retraining funds were not available to serve already dislocated workers. However, in four substate areas, state-funded economic development projects involved the expansion of existing work-forces and created employment opportunities to which dislocated workers were sometimes referred.

- State or substate EDWAA funds were used in some sites to support economic development projects designed to assist new employers to move into the area or existing employers to expand operations. In most cases, this resulted both in expanded reemployment opportunities for dislocated workers and in the achievement of economic development goals. In several instances of EDWAA/economic development coordination, however, the economic development objectives and benefits to employers appeared to overshadow the benefits to dislocated workers (e.g., if the EDWAA funds were used to create jobs that paid substantially less than the jobs from which the workers had been dislocated).

Coordination with Education, Employment and Training, and Other Human Services Programs

- Specific coordination arrangements with education agencies occurred primarily at the local level. Financial agreements with public schools, community colleges, and public vocational technical schools enabled many substate areas to purchase services for dislocated workers at low tuition levels that reflected the substantial taxpayer support of these varied educational providers.

- In addition, when possible, substate areas arranged for the use of additional educational funding streams to supplement EDWAA-funded services. In several substate areas, state or federal vocational education funds were used to supplement EDWAA funds to create enhanced retraining services for dislocated workers. In a number of sites, substate areas and service providers arranged for dislocated workers to apply for Pell grants and guaranteed student loans to help finance retraining.

- Coordination between EDWAA and the JTPA Title II-A service system was facilitated by collocation of most administrative functions for the two programs and partial or complete consolidation of the two service delivery systems for many substate areas. Nevertheless, the potential benefits from coordination between the two systems were indirect in most cases (e.g., in the form of reduced costs from increased economies of scale) rather than the result of mutual enrollment of dislocated workers in both systems. Although dual eligibility occurred with some frequency in a number of substate areas,

coenrollment was widely used in only one substate area to make needs-related payments available to dislocated workers.

- Coordination with human services agencies was decentralized at the substate and service provider levels and was largely informal. At least a third of the substate areas made referrals to human services agencies for unmet client needs on an individual basis.

- Three states had stronger policies linking EDWAA service delivery to the delivery of other human services. These states emphasized the use of child care, transportation, health, and other social service systems to address the broader needs of dislocated workers.

Factors Facilitating Coordination

- Coordination mechanisms were stronger and better developed in states and substate areas that had strong state commitment to coordination, had experienced relatively stable organizational relationships among agencies, were experienced in providing dislocated worker services, had well-defined goals in common with other agencies and programs, and had the ability to integrate functions through collocation or coadministration.

Issues for DOL Consideration

Conflict between substate areas and previous Title III providers occurred in seven substate areas. Thus, the problem is significant and warrants remedy. Several substate areas have attempted to decrease the tensions between themselves and providers by emphasizing mutual goals and benefits of coordination. States may wish to promote better coordination linkages in those areas where local representatives of state agencies are involved in turf battles affecting implementation.

Technical assistance is also needed to enhance coordination with TAA. Confusion was noted in several states and substate areas about the requirements in the legislation. Staff were concerned about the overlapping nature of the program with EDWAA. Further, states should be encouraged to develop policies about coenrollments and sequencing of EDWAA and TAA services to reduce confusion and enhance coordination.

Finally, in some instances, coordination with other programs diffused EDWAA's goals and may not have enhanced services to dislocated workers. In future efforts to encourage states and substate areas to coordinate services, DOL may wish to point out these potential drawbacks to coordination and further emphasize the goals of coordination: to better serve dislocated workers.

SECTION C
OPERATION OF EDWAA

VI RAPID RESPONSE ACTIVITIES

INTRODUCTION

We now turn to the operation of the EDWAA program. In this chapter, we discuss the rapid response activities and services provided by the state and substate areas. Chapter VII describes the basic readjustment services and Chapter VIII the retraining services provided in EDWAA.

The EDWAA legislation calls for states to have a capacity to respond rapidly to permanent closures or substantial layoffs "to assess the need for, and initially to provide for, appropriate basic readjustment services." In addition, the legislation identifies several allowable rapid response activities, including: (1) providing on-site assistance to employers and employees soon after receiving notice of the layoff or closure, (2) assisting in preventing the layoff, if possible, (3) promoting labor-management cooperation, (4) assisting the local community in developing its own coordinated response, (5) collecting information about dislocations throughout the state, and (6) disseminating information throughout the state about the services available through the DWU.

States in our sample carried out these activities through the following mechanisms:

- Establishing linkages between EDWAA and WARN.
- Providing rapid response services to employers and workers, including:
  - —Layoff prevention efforts
  - —On-site meetings with employers
  - —Employee orientation meetings to explain EDWAA and related services.

Below we describe the rapid response activities carried out by the 15 states and 30 substates in our sample.

LINKAGES WITH WARN

WARN Notice Procedures

Effective linkages between receipt of WARN notices and the EDWAA program are important to initiate both DWU rapid response activities and coordinated responses by others, including the substate area and related state and local agencies. All states in our sample had established procedures to respond to WARN notices. Most states followed similar steps on receipt of the WARN notice before meeting with the employer on-site, although there were some important exceptions. Below we describe the procedures that states have established to initiate both DWU and other agencies' responses.

Initiating Rapid Response

Most states implemented procedures for obtaining WARN notices so that the DWU received them expeditiously. Three states, however, indicated that many employers sent the WARN notices to the governor's office and that it often took a week or more for the notices to be forwarded to the DWU. Although it is hoped that these were only start-up problems, these states had yet to establish procedures to receive all WARN notices expeditiously. Two other states indicated that employers often sent the WARN notices to the wrong office (either the governor or the ES) but that they had managed to arrange for these notices to be sent quickly to the DWU.

On receipt of a WARN notice, DWU staff in all but two states contacted the employer, usually by telephone, to verify or clarify the information in the WARN notice and to set up a meeting on-site with the employer. Eleven states contacted the employer as the first step in their rapid response activities, and the other states generally contacted the employer within a day of receiving the notice.

One state that did not directly contact the employer contracted with the state ES for rapid response services and so contacted that agency immediately. DWU staff in that state did not normally have any direct contact with employers, unlike those in other states that contracted out some rapid response functions. The other state delegated almost all rapid response responsibilities to its substate areas and only contacted the employer if the substate area requested that the DWU do so. This state, therefore, contacted the substate area on receipt of a WARN notice and expected local staff to contact the employer.

Initiating Coordinated Response

Most states also initiated a coordinated response on receipt of WARN notices, although there was substantial variation in how other agencies were notified. DOL's suggested first step in responding to WARN notices is to contact the substate area in which the affected plant is located. Only two states first contacted the substate area, although for very different purposes. One was the state that expected the substate area to contact the employer and provide rapid response services in most circumstances. The second state did so to coordinate activities, as intended. Although not as the first step, many other states did notify the relevant substate area promptly, before any on-site meeting occurred.

Five states, however, did not always notify the substate area immediately. In fact, these states often did not notify the appropriate substate area until sometime after DWU staff had met with the employer. Not notifying substate areas often caused confusion and reduced the ability to coordinate the local community response. For example, one substate area did not learn of a WARN notice until 4 months after it was sent to the governor.

Most states also contacted other state agencies promptly after receiving a WARN notice. One state contacted other state agencies, such as the ES and economic development, as a first step to check whether any of these agencies had already been in contact with the employer. If they had, then that agency would take the lead in responding to the WARN notice; if not, then the DWU responded. Another state had established an electronic mail system to notify relevant state agencies immediately (although the substate area was not notified).

Only two states did not notify other agencies, such as the ES, until after the initial employer meeting was held. Generally, the DWU notified the local office of these agencies and requested that staff participate in the worker orientation meeting.

Summary

Overall, the WARN notices were being used to initiate rapid response to large-scale plant closures, as intended. Staff in a number of states indicated that WARN notices both increased their knowledge of plant closures occurring in their state and increased the length of time available to plan for services. Further, most states had established linkages with WARN procedures that were consistent with the legislative intent of initiating DWU rapid response activities and initiating a coordinated response.

Three states, however, experienced start-up problems in obtaining WARN notices promptly when they were misaddressed to the governor's office instead of the DWU. Further, a few states were creating coordination problems by not promptly notifying substate areas or other agencies when WARN notices were received. In its training materials, DOL has encouraged states to notify others, especially the relevant substate area. Nonetheless, more technical assistance in establishing contact procedures seems to be warranted.

Concerns About the WARN Provisions

Although most states felt that WARN had increased their knowledge about plant closings, several identified problems with provisions in the WARN legislation. The WARN requirements are complex so it is difficult for states to guage accurately whether employers are complying appropriately. Five states, however, believed that their efforts to inform employers about WARN had increased compliance. Direct mailings describing the WARN requirements, sent by the governor to all employers covered by the UI system, were frequently reported as the most effective tool. One state also set up an 800 number to answer employers' questions about WARN requirements and to receive verbal notices before written WARN notices were filed.

In addition to these state actions, several substate areas also made efforts to inform local employers about WARN and EDWAA. One substate area holds annual employer seminars at which WARN requirements are presented. In one state, the substate areas studied held local employer forums to explain WARN, but with very different results. One substate area said that employers consequently saw the substate area as a compliance agency, which reduced employers' cooperation with EDWAA rapid response efforts; the other substate area felt that employers understood the purpose of providing advance warning and the services available, which enhanced employer cooperation.

Several other states mentioned that, although they generally received WARN notices about substantial layoffs, up to 50% of the notices provided less than the required 60-day advance warning about substantial layoffs. This restricted the extent to which prelayoff services could be offered in many cases.

Nonetheless all states indicated that they had also received "voluntary" WARN notices from employers not covered by the legislation and had developed procedures to respond to these voluntary notices, as described below.

Another frequently cited problem with the WARN legislation is that it does not cover some important layoffs. For example, in one state, a large corporation laid off nearly 500 workers, but because the layoff affected less than one-third of its workforce, a WARN notice was not required. In another state, a large government agency laid off workers without notice, which resulted in poor publicity about WARN. Further, several agencies indicated that most closings occurred in small firms not covered by WARN. One state had passed its own advance notice law, prior to WARN, that applied to layoffs of 25 workers or more. The state continued to enforce this law because it felt that many layoffs were occurring in smaller firms.

In summary, although most states felt that the WARN legislation had increased their knowledge of dislocations and increased their ability to respond rapidly to those events, several concerns were raised. DOL may wish to provide additional technical assistance in effective strategies to increase employer awareness of the WARN provisions. Several states also were concerned that the legislation did not cover important sources of dislocations, including layoffs of up to 500 workers in large firms, layoffs by government agencies, and closures of smaller firms.

Other Sources of Layoff Information

Several states and substate areas relied heavily on other sources, in addition to WARN notices, to learn of layoffs occurring in their area and to initiate rapid response services. Seven states mentioned that the media were an important source of information about plant closings, although only one had established a systematic process to obtain such information by subscribing to a newspaper clipping service.

Other agencies were frequently helpful in identifying closings. As large numbers of workers from a single plant applied for UI, the UI office often notified the state or substate area. Two states established automatic triggers that notified the DWU if a specified number of workers from a single plant applied for UI benefits. The UI system, however, was rarely a source of advance warning.

Economic development agencies, in contrast, could provide advance warning. In one state, the economic development agency had previously been in contact with employers in over 60% of the WARN cases and often informed EDWAA of impending closures before the notice was

filed. Another state had developed a similar procedure whereby the economic development agency automatically notified the DWU when layoff prevention efforts were not successful.

Other sources of layoff information included chambers of commerce, local elected officials, state legislators, SJTCC members, unions, and banks. One substate area in a highly unionized area felt that developing networks with local unions was very effective in obtaining information about closures and layoffs.

Because these other sources of information were frequently valuable supplements to WARN notices, particularly in states with poor employer compliance, DOL may wish to encourage states to develop these information networks.

STATE AND SUBSTATE ROLES IN PROVIDING RAPID RESPONSE

States' Views of Their Rapid Response Roles

The EDWAA legislation indicates that the state DWU is responsible for providing rapid response services in the event of permanent closures or large-scale layoffs. Although the reasons for making rapid response a state responsibility are not explicit in the legislation, presumably the reasons are so that experienced staff can provide the services and so that statewide resources can be more easily marshalled to address large plant closures and layoffs. Nonetheless, we found that states had a variety of views about their roles vis-a-vis the substate areas in providing rapid response.

Substantial Substate Responsibility—At one extreme, one state delegated most responsibilities for rapid response to its substate areas. This state contacted the substate area on receipt of a WARN notice; if the substate requested aid, the state staff would coach the substate staff in how to contact the employer. Occasionally, state staff attended the initial employer meeting, although this had occurred for only 10% of the WARN notices received at the time of the site visit.

In two other states, the DWU initially responded to large layoffs along with substate area staff. However, some substate areas in these states that gained substantial experience in conducting rapid response had taken over full responsibility for responding to both large- and small-scale layoffs in their areas.

The states that delegated full responsibility for rapid response to at least some substate areas had both substate delivery systems and rapid response capacity under the previous Title III program. Thus, they generally felt that many substate areas had rapid response expertise. Two of these states were also geographically large and felt that it was difficult for the state to respond as rapidly as the substate area. (Several other large states, however, solved this problem by establishing regional offices for state rapid response staff.)

For the most part, substate areas that were given responsibility for rapid response took over these functions willingly. Several substate areas felt that they had more expertise than the state, and one felt that employers were more receptive to local staff. However, one substate area in a large city with many layoffs was resisting pressure to take on rapid response responsibilities without additional funds.

Eleven states provided rapid response to large-scale layoffs and closures but expected substate areas to respond to medium- and small-scale dislocations. The legislation calls for rapid response to permanent closures or substantial layoffs, but does not define a "substantial" layoff. Most of these 11 states responded directly only to closures and layoffs requiring WARN notices, usually operationalized as dislocation events affecting more than 50 workers. For smaller dislocations, substate area staff took the lead.

There were some exceptions to this pattern, however. For example, one state established several categories of layoffs that required different actions. State DWU staff responded to layoffs of more than 300 workers. For layoffs of 100 to 300, state regional staff responded if it was determined that the layoff would have adverse consequences to the community; otherwise local staff took the lead. The local substate area responded to layoffs of fewer than 100 workers.

Another state initially planned to respond only to layoffs of 50 or more workers but lowered the threshold to 20 or more because there were not as many large dislocations as expected.

Finally, in one state, the state rapid response contractor responded to virtually all closures or layoffs. This state had a well-established rapid response system under the previous Title III program and continued the system under EDWAA.

Technical Assistance to Substate Areas

Technical Assistance to Substate Areas—Several states provided technical assistance to their substate areas in rapid response procedures. Often this assistance was in the form of workshops held before the program year to describe the state's rapid response procedures and the substate areas' roles in both large- and small-scale layoffs. In addition, a few states took more active steps by encouraging substate areas to plan responses to layoffs in their area. For example, one state required its substate areas to develop contingency plans for several situations, such as serving non-English-speaking workers and responding to dislocations involving multiple substate areas. Another state required substate areas to establish "community response" teams of agencies that would participate in rapid response activities.

However, five substate areas indicated that they were confused about their role in rapid response. Most of these indicated that the state had poorly communicated what the substate area was expected to do in smaller layoffs. In some cases, this was compounded by the substate areas' lack of planning because they thought they were "immune" to layoffs.

Although nominally it was the substate area's role to respond to smaller-scale dislocations, six substate areas had made no attempt to learn of smaller dislocations. Despite the fact that all these substate areas served at least moderate-size labor markets, none had responded to any smaller dislocations by the time of our visits. Although part of the problem in these substate areas is lack of commitment to the concept of rapid response, greater technical assistance to substate areas in procedures to learn of smaller layoffs might help correct this problem.

Funding of Rapid Response Services

The EDWAA legislation indicates that rapid response is an allowable use of EDWAA funds only for the state. In all but one state, however, substate areas were playing some role in rapid response, usually leading response to smaller dislocations and in some cases providing all rapid response services. This raises two questions: do substate areas have sufficient funds to pay for rapid response activities and to what cost category are they charging such expenses?

To help with the substate area rapid response expenses, a few states planned to make 40% funds available for rapid response activities through discretionary allocations. However, the process of applying for additional funding was time consuming and, in practice, rarely occurred.

Thus, virtually all substate areas were using their own formula allocated funds to pay for rapid response activities for smaller-scale layoffs.

Substate areas were charging their rapid response expenses to either the administrative or basic readjustment cost categories. Because orientation is an allowable basic readjustment cost, the latter practice seems more appropriate. DOL should be aware, therefore, that the state rapid response expenditures understate the total EDWAA resources being spent on rapid response activities and that there is inconsistency in how substate area rapid response activities are being charged.

Summary

Although the EDWAA legislation specifies rapid response as a state function, states and substate areas played a variety of roles in delivering rapid response services. One state delegated rapid response activities to the substate area in the first year and provided only technical assistance in most cases. Two other states helped substate areas to develop rapid response expertise, but some experienced substate areas took on responsibility for rapid response in their areas.

In addition, all but one state expected substate areas to respond to smaller-scale layoffs and closures not requiring WARN notices with rapid response activities similar to those provided by the state for larger-scale layoffs. Six substate areas, however, had not made efforts to become aware of smaller-scale closures and thus were not providing any rapid response services for workers affected by smaller dislocations.

This diversity of roles has also led to a diversity of reporting practices. Substate areas, which cannot charge expenses to the rapid response cost category, were charging such expenses to either administrative or basic readjustment cost categories.

RAPID RESPONSE ACTIVITIES

Layoff Prevention Efforts

One of the purposes of rapid response is to avert layoffs, if possible. Nine states routinely notified the economic development agency when a WARN notice was received, and four often included economic development staff in the initial employer meeting. In one state, the economic

development agency led the rapid response efforts when sufficient advance warning was given. As indicated in Chapter V, some states also set aside funds for layoff prevention efforts by the economic development agency.

Virtually all states and substates indicated, however, that the 60-day notice of closing or substantial layoffs required under WARN was not sufficient to prevent dislocations effectively. Indeed, regardless of the amount of advance warning, successful prevention of layoffs was rare once the employer had decided a layoff was necessary. Only four states provided any examples of successful layoff prevention efforts, and only one could attribute the success to Title III efforts. As indicated above, linkages between economic development efforts and EDWAA more often resulted in the economic development agency's informing EDWAA of impending closures so that rapid response activities could be initiated.

Several states indicated that using previous Title III funds to upgrade skills of a firm's workers had been more effective in preventing potential layoffs and regretted that this practice was no longer allowed under EDWAA. Six states were still operating programs to upgrade skills of currently employed workers, using state general revenues or employer-tax revenues.

On-Site Meetings with Employers

Timing of Employer Meetings

In all states, the rapid response design called for an initial on-site meeting with the employer. Although most DWUs tried to respond within 48 hours, only one state indicated that it routinely responded on-site within 48 hours after receiving a WARN notice. Most states indicated that employers were often not willing to meet so quickly. Further, when multiple agencies were involved, it took longer to schedule the initial employer meeting. Generally, the first on-site meeting occurred within 1 to 2 weeks after notice of the layoff was received.

In responding to smaller-scale layoffs, most substate areas also tried to meet with employers as soon as possible after learning about the layoff. However, a separate employer meeting often was not feasible because there was little advance warning. In those cases, therefore, the employer was contacted by telephone so that orientation sessions could be held before the layoff occurred.

Purposes of Employer Meetings

Most states and substate areas had similar goals for the employer meeting. All attempted to arrange a prelayoff orientation meeting for workers to describe services available from EDWAA and other community agencies. Most EDWAA states found that employers were willing to cooperate with such an orientation meeting. Staff emphasized that the services were free, that cooperation would be good for public relations and worker morale, and that workers would be more likely to stay on the job until the layoff if they were given assistance. Two substate areas also emphasized how EDWAA could help the employer during the layoff, and one provided stress management counseling to the employer and the employer's managers as well as the workers being laid off.

Four states, however, indicated substantial problems in obtaining employer cooperation in holding on-site orientations. One state indicated that employers would not cooperate because (1) they simply wanted the problem to go away, (2) group meetings would give the employees an opportunity to confront management, (3) retraining would increase the length of UI claims, (4) they were afraid of having employees on the premises after the layoff had occurred, or (5) they generally distrusted government agencies. As indicated above, one substate area found that employers viewed EDWAA as a WARN compliance agency and thus were not cooperative in arranging on-site activities.

In cases when a meeting was not possible, the DWU generally tried to get a list of the affected workers from the employer and contacted the workers directly. Generally, the dislocated workers were sent information about EDWAA and related services. In one case where an employer refused to cooperate, the governor sent a letter to the dislocated workers, which was very effective in generating interest in EDWAA services. In another case, the employer initially refused any services but finally allowed the orientation to be held on the day of the layoff.

All states tried to convince the employer to hold the orientation meeting on company time. Although not all employers agreed, only one state indicated that it was generally unsuccessful in obtaining release time for the orientation meeting. In this state, orientation meetings were generally held in a community center after work hours.

Another goal of the initial meeting was to encourage labor-management cooperation. The EDWAA legislation indicates that one of the purposes of initial on-site assistance is to provide

immediate assistance in establishing a labor-management committee. In 10 states, the possibility of establishing a committee or some form of labor-management cooperation was presented, although, as discussed above, such committees were not frequently formed. Four states, however, did not explore the possibility of labor-management cooperation. For the most part, these states faced strong community anti-union sentiment, and the EDWAA staff felt that raising the possibility would do more harm than good.

Another way of encouraging labor-management cooperation was to include a worker representative in the initial meeting with the employer. Seven states routinely included a representative either from the plant or from a state union organization.

Agencies Involved in Employer Meetings

In four states, only state DWU staff met with the employer. In these states, and one other, the substate area staff did not attend initial rapid response meetings for large-scale layoffs. In three other states, both the state DWU staff and substate staff attended the initial meeting, but no agencies other than EDWAA were involved.

In seven states, however, other agency staff also attended the initial employer meeting to explain their services directly. All of these states invited ES/UI staff to attend, and four involved economic development agency staff, at least when sufficient advance warning of closing was given.

Only two of these states included TAA staff in these initial meetings, although one other state routinely explored whether the layoff was TAA eligible. As discussed below, many EDWAA staff were not very knowledgeable about TAA and TRA requirements. Nonetheless, when TRA benefits were available, the dislocated workers' ability to participate in longer-term training was greatly enhanced. It seems likely, therefore, that early involvement of TAA staff in more states would enhance services to dislocated workers.

Orientation Meetings

The legislation indicates that a purpose of rapid response is to provide information on and facilitate access to available public programs and services. To accomplish this goal, all states included worker orientation meetings as part of their rapid response designs. For smaller-scale

layoffs, substate areas also planned worker orientation meetings that were very similar to the state-designed meetings.

Timing of Orientation Meetings

Generally, orientation meetings were held within 2 weeks of the employer meeting. When there was little advance warning of the plant closing or layoff, orientation meetings were often the only prelayoff services offered. In cases with no advance warning, orientation meetings were sometimes held in the community after the layoff, although this was rare.

In one state, however, some orientation meetings were deliberately held close to the time of the layoff. Although this state had elaborate procedures to notify other agencies quickly and to hold employer meetings soon after learning of the layoff, this state and its substate areas generally did not provide any prelayoff services other than orientation. One substate area visited waited 4 months after learning of a layoff to hold the orientation meeting because it felt that the information would be most relevant to the workers just before they were laid off.

In another case, the orientation meeting was delayed because the employer was searching for a buyer of the plant as part of layoff prevention efforts. Ultimately layoff prevention efforts failed, and the plant closed before the orientation meeting could be held.

Purposes of Orientation Meetings

In all cases, the orientation provided workers with information about services available through EDWAA and through other agencies in the community. In all states, therefore, both ES and UI staff presented information about their services and benefits. A variety of other agencies also often made presentations about their services, including community colleges, other training organizations, welfare and food stamp agencies, and local charitable organizations. Only two states included presentations by TAA staff in these meetings.

Some states provided some basic readjustment services *during the initial orientation meeting*. Four states provided some stress management services as part of the orientation meeting. For example, one state included a discussion of the emotional side-effects of dislocation and a video presentation of the physical and emotional manifestations of the resulting stress. Two states provided information on financial management, including the need for immediate changes in the family budget and community resources available for aid. Two states

also provided some job search assistance during this initial meeting. In addition, workers could apply for UI services at the time of the orientation meeting in seven states.

Surveys of employees' needs were also frequently conducted in eight states. Several of these states indicated that needs surveys were very useful in planning for services; in some cases, the questionnaires were given to the employer in the initial employer meeting so employees' needs could be assessed before the orientation meeting.

Agencies Involved in Orientation Meetings

In 13 states, the state DWU staff routinely attended orientation meetings. In two states, however, the responsibility for these meetings was given entirely to the substate areas, even for large-scale layoffs: one state delegated responsibility for all rapid response services, and the other ended its involvement after the initial employer meeting.

In contrast, in one state, substate area staff did not routinely participate in orientation meetings for large-scale layoffs. This lack of substate area involvement created confusion in one substate area visited. In one case, the substate area was never informed by the state of the layoff and was not aware that its contractor was providing services to affected workers at the request of the state.

As indicated above, the ES, UI and a variety of other agencies also attended these meetings. Seven states also included union organizations, either the plant union representatives or staff from the state AFL-CIO, in the initial orientation meeting.

Summary of Rapid Response Activities

States have experienced varying success in implementing rapid response services. Although several states implemented extensive layoff prevention efforts, virtually all efforts were too late to be successful. All states indicated that the 60-day notice required by WARN was not sufficient to prevent a layoff.

Most states, however, were successful in providing on-site assistance in the form of meetings with employers and orientation meetings for employees. The major impediments to providing these services were insufficient warning of the impending layoff and lack of employer

cooperation. Several states had developed ways to overcome these problems, and DOL may wish to encourage state-to-state technical assistance in effective procedures.

Although most states provide on-site assistance in response to large-scale layoffs, only one state indicated that it routinely provided such assistance within 48 hours after learning of the impending layoff. Most states indicated that it took longer than 48 hours to arrange a meeting, in part because of the employer's schedule. Generally, the initial employer meeting was held 1 to 2 weeks after notice was received and the orientation meeting within 2 weeks of the employer meeting. Thus, the rapid time frame envisioned in the legislation has proven to be difficult to achieve in practice.

State Role After Rapid Response

The legislation indicates that states may use rapid response funds to assist the local community in developing its own coordinated response. In addition to notifying local agencies about the layoff and involving them in rapid response services, some states further assisted substate areas in developing local response by participating in planning and by following up on local efforts to respond to the needs of affected workers.

After the rapid response activities, three states continued to provide prelayoff services, as discussed in the next chapter. Two of these states and three others also routinely met with substate area staff to plan appropriate services for the affected workers. Typically, states assisted substate areas in analyzing employee-needs surveys to determine appropriate services, assessing whether the substate area had sufficient financial resources to provide those services, and contacting any relevant state agencies to help provide services. Three of the states that helped substate areas plan services also routinely followed up to see whether any problems occurred in implementing the planned services.

In contrast, nine states did not provide prelayoff services, did not assist local areas in planning for services, and did not routinely followup on local efforts to serve affected workers. Their role ended with the employee orientation meeting.

Summary of State Commitment to Rapid Response

Although the basic steps taken by states to respond to WARN notices and to provide initial rapid response services were similar, states differed discernibly in their commitment to rapid response.

In five states, rapid response procedures were well established and working well. All of these states had a previous rapid response capacity and had a strong commitment to all aspects of the rapid response concept, including the value of advance warning, labor-management cooperation, and coordinated response.

Six states reported that they experienced some problems in implementing rapid response but effective procedures were evolving. Two of these states had not had a rapid response capacity under previous Title III and thus were developing entirely new procedures.

Four states, however, seemed to have a low commitment to rapid response. Even though two of these states had some rapid response capacity before EDWAA, these states were doing little to ensure that on-site services were routinely provided to workers dislocated from major layoffs or plant closures. Although most states encountered some problems in establishing rapid response services and implementing effective linkages with WARN, these four states did little to solve these problems, including widespread employer noncompliance with WARN, employer resistance to holding orientation meetings, or lack of effective coordination in responding to major dislocation events.

SUMMARY AND ISSUES FOR DOL CONSIDERATION

Summary of Results

Linkages with WARN

- Overall, WARN notices were being used to initiate rapid response to large-scale plant closures and layoffs as intended.
- In most states, the DWU received WARN notices expeditiously. In three states, however, substantial delays arose when WARN notices were sent to the governor's office.

- Most states contacted the employer, usually by telephone and usually within a day of receiving the notice, to clarify information in the WARN notice and schedule an on-site meeting.

- Most states also initiated a coordinated response on receipt of WARN notices by notifying the appropriate substate areas and related agencies. Five states, however, were creating some coordination problems by not promptly notifying substate areas about planned layoffs in their jurisdiction.

- Although most states felt that WARN had increased their knowledge about plant closings, several identified problems with the WARN legislation, including:

  —Inability to sanction employers for noncompliance.

  —Lack of coverage of large layoffs that are less than one-third of the workforce, government layoffs, and smaller-scale layoffs.

- Three states reported widespread noncompliance, and many others reported that many employers were giving less than 60 days notice.

- Practices that states and substate areas felt increased employer awareness and therefore compliance include:

  —Letters from the governor to all employers covered by the UI system.

  —Establishing an 800 number to answer employer questions and receive verbal notices.

  —Local employer forums describing WARN and EDWAA services.

- Although concerns about employer compliance were raised, all states reported receiving "voluntary" notices from employers not covered by the WARN legislation.

- States and substate areas frequently relied on sources other than WARN for information about layoffs and closures.

  —In some states, economic development agencies informed the DWU when layoff prevention efforts failed.

  —The UI system was a frequent source of information, although rarely of advance warning. Two states established automatic triggers in the UI system to notify the DWU when many workers from the same firm applied for benefits; substate areas frequently established informal networks.

—Seven states mentioned that the media were important sources.

—Other sources include chambers of commerce, banks, unions, and elected officials.

State and Substate Roles in Rapid Response

- Three states delegated responsibilities for rapid response to at least some experienced substate areas. The remaining states kept responsibility for rapid response activities to large-scale layoffs.

- All but one state expected substate areas to respond to smaller-scale events, usually defined as layoffs of fewer than 50 workers.

- Some states helped substate areas develop plans for responding to layoffs.

- Five substate areas were confused about their roles in rapid response because of poor communication from the state and/or lack of local planning.

- Six substate areas that were responsible for responding to smaller-scale layoffs had not established any procedures to learn of these layoffs and had not provided any rapid response services to smaller-scale layoffs, despite serving moderately sized labor markets.

- Although rapid response expenditures are allowable costs only for states, many substate areas were providing substantial rapid response services, particularly for smaller-scale layoffs, and were charging the expenses to either administrative or basic readjustment cost categories.

- After providing rapid response services, seven states played a continuing role in providing prelayoff basic readjustment services and/or helping substate areas to plan appropriate services. Three of these states also routinely followed up to see whether there were any problems in implementing planned services.

Rapid Response Activities

Layoff prevention:

- Nine states routinely notified the economic development agency when a WARN notice was received; in one state, the economic development agency led rapid response activities when sufficient notice was given.

- All states indicated that 60-day notice of a closing or layoff was not sufficient to prevent dislocations effectively.

On-site meetings with employers:

- The rapid response design in all states called for on-site meetings with employers. Most initial on-site meetings occurred within 1 to 2 weeks after notice of the layoff was received; only one state routinely met with employers within 48 hours.

- The purposes of the employer meeting were to arrange an orientation meeting with employees to explain EDWAA services (all states) and to encourage labor-management cooperation (11 states).

- Four states indicated that employers were frequently unwilling to allow orientation meetings; the remainder emphasized the benefits to the employer as well as employees and generally found employers to be cooperative.

- Seven states involved agencies other than EDWAA in the employer meetings. All these states include ES and UI representatives, and four include economic development staff. Only two states, however, routinely include TAA staff in these initial employer meetings. Because EDWAA staff are frequently not very knowledgeable about TAA and because TRA benefits enhance the ability of workers to participate in long-term training, early involvement with TAA staff in more states probably would enhance the effectiveness of EDWAA services.

Orientation meetings:

- Generally, employee orientations were held within 2 weeks of the employer meeting. In some cases, however, the employee orientations were postponed until close to the layoff because it was felt the workers would find the information more relevant at that time.

- During orientation meetings, all states provided information about EDWAA services and included ES and UI staff to explain those programs as well.

- Four states also provided some basic readjustment services during orientation meetings, including stress and financial counseling and job search assistance.

State commitment to rapid response:

- Four states seemed to have a low commitment to the concept of rapid response. Although all states encountered some problems in implementing

EDWAA rapid response, these states were not taking the initiative to solve those problems.

- The remaining states were taking greater initiative in arranging for high-quality rapid response services. In six states, effective procedures were still evolving; in five, rapid response procedures were well established and working effectively.

Issues for DOL Consideration

Most states are making conscientious efforts to implement rapid response procedures. Virtually all states designed procedures that met the legislative requirements, but problems have arisen in implementing the procedures. These implementation problems include developing effective practices to:

- Inform employers about the requirements of the WARN legislation.
- Learn of layoffs and closures from sources other than WARN.
- Initiate a coordinated rapid response effort.
- Overcome employer resistance to employee orientation meetings.
- Assist local planning for layoffs.
- Follow up on local efforts after rapid response activities are complete.

It is clear that some states and substate areas have been more successful in overcoming these implementation problems than others. Thus, DOL may wish to encourage states and substate areas to share their practices with others through conferences and workshops.

In the first program year, states and substate areas made substantial progress in implementing rapid response procedures. States and substate areas paid less attention, however, to the purposes of responding rapidly to closures and layoffs. As discussed in the next chapter, many areas did not establish effective linkages between rapid response activities and EDWAA program services. In these cases, rapid response activities informed dislocated workers about EDWAA services but did not result in the affected workers' receiving either early basic readjustment services or retraining services designed specifically to meet their needs. DOL may wish, therefore, to place more emphasis on the *purposes of rapid response* in future technical assistance efforts.

VII BASIC READJUSTMENT SERVICES

INTRODUCTION

The EDWAA legislation lists a wide variety of basic readjustment services, including:

- Intake services, including outreach, orientation, and enrollment.
- Assessment services, including evaluation of skills and abilities, testing, career counseling, and development of readjustment plans.
- Job search services, including provision of labor market, world of work, and occupational information, job search workshops and job clubs, job development, and job placement.
- Financial and personal counseling.
- Relocation assistance.

Substate areas provided these basic readjustment services in two modes. First, some substate areas linked basic readjustment services to their rapid response activities. This was accomplished either by routinely providing prelayoff basic readjustment services, usually on-site, or by establishing plant-specific projects that provided basic readjustment services. Second, all substate areas provided some basic readjustment services as part of their ongoing programs. In these cases, rapid response may have been used to recruit workers into the substate area's ongoing program, but the services were not directly linked to rapid response activities. In this chapter, we describe the basic readjustment services provided through these two modes.

RAPID-RESPONSE-LINKED BASIC READJUSTMENT SERVICES

States and substate areas linked rapid response activities and basic readjustment services in two ways. First, some states and substate areas routinely followed up rapid response orientations with prelayoff basic readjustment services, usually provided on-site. Second, after determining workers' needs through rapid response activities, in some instances separate projects were established that provided specialized basic readjustment services to workers dislocated from specific plants. This subsection discusses these two types of rapid-response-linked basic readjustment services.

Prelayoff Basic Readjustment Services

Provision of Prelayoff Services

In nine substate areas, on-site prelayoff basic readjustment services were routinely provided in response to large-scale layoffs. In four of these, prelayoff basic readjustment services were also routinely provided in response to smaller-scale layoffs. In two additional substate areas, located in a state that promotes labor-management committees, prelayoff services were provided only when a labor-management committee was established; in other cases, no prelayoff services were made available, even for large-scale layoffs.

The remaining 19 substate areas provided no prelayoff basic readjustment services beyond on-site orientation provided through rapid response. Although 7 of these substate areas reported no dislocations in their areas, the remaining 12 had experienced layoffs but did not respond with prelayoff basic readjustment services.

The provision of prelayoff basic readjustment services is strongly related to state policies. The nine substate areas where prelayoff services were provided routinely are clustered in five states. Three of these states provided prelayoff services directly or through a state rapid response contractor. These states all had a high commitment to the concept of rapid response, as described in Chapter VI, and viewed arranging appropriate services for affected workers as a primary purpose of rapid response. In the other two states, substate areas provided the prelayoff services, but three of these substate areas also provided most rapid response services. Thus, in eight of the nine cases where prelayoff services were provided routinely, the same agency was responsible for both rapid response activities and prelayoff services.

Further, the only case where the same agency was responsible for rapid response and basic readjustment services, and prelayoff services were not provided, was one state that contracted with the ES to provide rapid response and to arrange services for workers dislocated from large-scale layoffs. In this state, dislocated workers went to the ES office to receive basic readjustment services, which could occur before the layoff, but there was no emphasis on providing prelayoff basic readjustment services, nor were prelayoff services available on-site to groups of dislocated workers.

All five states where prelayoff basic readjustment services were provided had rapid response capacities under the previous Title III program, although one substate area studied was

in an area not covered by previous rapid response efforts. This case was the only example where routine prelayoff basic readjustment services were introduced under EDWAA.

Description of Prelayoff Basic Readjustment Services

Typically, prelayoff services were provided through a series of group workshops. Most included a job search workshop that presented training in job search strategies, preparing resumes, applying for jobs, and interviewing techniques.

Four of the nine substate areas offered stress management in prelayoff workshops. One substate area provided three 2 1/2 hour workshops in "career dynamics" that were led by psychologists from the local public health association. The first workshop addressed the workers' anger and fears, and subsequent workshops helped workers develop creative solutions to their problems. Family members were also encouraged to attend these workshops. This substate area also offered a separate stress management workshop to managers to help them understand the workers' reactions and also to deal with their own stress during the layoff period.

Two substate areas also provided financial management workshops on how to change the family budget and how to make best use of alternative income sources, such as UI payments and food stamps. These workshops typically emphasized the need to take immediate steps to reduce spending and to work out a plan with creditors to avoid foreclosures and repossessions.

In addition to group workshops, all the prelayoff services included some assessment of each dislocated worker's skills. In five substate areas, assessment consisted only of informal interviews rather than formal testing or structured counseling. Four substate areas, however, routinely tested dislocated workers' basic skills (beyond basic reporting requirements) and provided formal assessment of workers' occupational skills, including an analysis of the transferability of their skills to other occupations. Most also determined during the prelayoff period what additional EDWAA services each worker would require. Often programs began to develop OJT contracts for workers choosing that service option before the layoff occurred.

In addition, three programs that served large non-English-speaking populations used the prelayoff assessment results to enroll those needing basic skills remediation training, particularly ESL training, before the layoff occurred. This prelayoff training not only improved participants' employability directly but also enabled participants to begin occupational skills training immediately after layoff.

Overall, prelayoff workshops ranged in length from 4 to 30 hours. For the most part, these services were provided on-site, and generally employers provided release time for participants to attend these sessions. If the employer did not allow on-site activities or provide release time, usually prelayoff services were provided after work hours in alternative locations such as community centers or schools. In one state, prelayoff services were routinely held off-site.

In all cases, participants receiving prelayoff basic readjustment services were not enrolled in EDWAA unless they received retraining or further basic readjustment services as part of the substate area's general dislocated worker programs. Thus, the federal reports will understate the actual number of dislocated workers that received basic readjustment services.

Service Providers and Funding of Prelayoff Services

Prelayoff basic readjustment services were provided by a variety of organizations. As discussed above, three states provided the prelayoff services, two directly by DWU staff and one through a contract with a state labor organization. Of the four substate areas that provided prelayoff services, three did so directly and one contracted with an organization affiliated with a labor union.

The three states that provided prelayoff services directly paid for these activities with state 40% funds, which for the most part were charged to the rapid response category. In cases where the substate area provided prelayoff services, they were generally paid for from the substate's funds and charged to the basic readjustment category. Two of these substate areas were in a state that had planned to make up to $40,000 from 40% funds rapidly available for responding to large-scale layoffs. In practice, however, applying for and receiving these funds was a cumbersome and lengthy process, and only one substate area had received any funds from this source at the time of our visits.

In addition to EDWAA funding, employers were also asked to contribute support for prelayoff services. In most cases, this support was in-kind contributions of space and release time; occasionally, employers also contributed monetarily.

In addition, three substate areas mentioned cases where employers hired their own outplacement consultants to help laid-off workers find reemployment. For the most part, the EDWAA program worked cooperatively with these consultants, substituting, for example, the consultant's job search workshop for the EDWAA workshop. In one instance, however, the

substate areas felt the consultant, who was paid per placement, was trying to place dislocated workers in low-paying jobs, which was not consistent with the substate areas' emphasis on retraining to improve long-term employability.

Plant-Specific Projects

The second way that basic readjustment services were linked to rapid response was through the establishment of plant-specific projects. We obtained information on 14 plant-specific projects, 7 operated within our substate area sample and 7 operated in other substate areas within our state sample. All but one of these programs provided basic readjustment services.

Four of these projects provided prelayoff basic readjustment services through group workshops. More commonly, however, plant-specific projects set up "resource centers," either on-site or at a nearby location, where dislocated workers could go for services both before and after the layoff occurred. Services included individual assessment and development of a readjustment plan and usually job search assistance, including the provision of job listings, labor market information, and help in preparing resumes and applications.

Below we describe three examples of plant-specific projects:

- A labor-management committee, formed for a layoff of 75 workers, chose to establish a resource center that offered basic readjustment services and referred participants to training programs. The center was located at a nearby school and was staffed by two to five individuals who conducted assessment and provided counseling, job search assistance, and employability skills training. This resource center was supported entirely by substate area funds.

- At an ammunition plant that was laying off over 1,300 workers, an on-site outplacement center was established. ES/UI and EDWAA staff were located at this center to conduct intake. Basic readjustment services included assessment, development of an employability plan, and job search assistance. This project, which served workers from three substate areas, was established by the state and funded primarily by 40% funds.

- A large plant-specific project was established by a labor-management committee to provide basic readjustment services to 1,200 workers dislocated from an electronics firm. An on-site readjustment and training center was staffed by counselors and trainers paid for by the company. Basic readjustment services included individual counseling, testing, and development of readjustment services. This center also provided on-site

training in basic skills and arranged for OJT positions. This project was initiated under Title III; under EDWAA it was funded by a combination of national reserve funds, 40% funds, and company funds.

GENERAL BASIC READJUSTMENT SERVICES

All substate areas provided some types of basic readjustment services as part of their ongoing dislocated worker programs. The federal reporting requirements distinguish between preenrollment basic readjustment services, including outreach, intake, and assessment, and postenrollment basic readjustment services, including job search assistance, counseling, and relocation assistance. Although not all substate areas followed these reporting guidelines in the timing of enrollment, this subsection discusses these two types of services separately.

Preenrollment Basic Readjustment Services

Outreach

Three different recruitment methods were used to locate eligible dislocated workers: (1) referrals from rapid response activities, (2) referrals from the ES/UI system, and (3) general community outreach and recruitment by the substate areas and/or their EDWAA service providers. The mix of recruitment strategies used depended on the types of dislocation occurring in the local economy, the client groups targeted by the substate area, and the extent of cooperative local linkages with rapid response providers and ES/UI staff.

Use of Rapid Response Linkages—Seven substate areas recruited a large majority of their participants from rapid response activities. All of these substate areas had explicitly targeted recently laid-off workers as their priority group. Further, all provided some prelayoff basic readjustment services, as described above, and linked affected workers to their ongoing programs. (In the other two substate areas where prelayoff services were routinely provided, there were few dislocation events, so other recruitment strategies were used.)

Rapid response linkages were also used as a secondary source of client referrals for two substate areas that targeted primarily long-term unemployed workers. Both of these substate areas experienced moderate levels of smaller-scale layoffs during PY 89 and conducted outreach to the individuals affected by these layoffs by participating in rapid response on-site orientations. These substate areas established procedures to followup on rapid response participants by letter or telephone.

The remainder of the substate areas did not routinely use rapid response as a recruitment mechanism. Although 15 of these substate areas reported few dislocations, 6 reported a moderate to high level of dislocations in their area. In these substate areas, dislocated workers were informed about substate area services during rapid response orientations, but these substate areas generally left it up to each individual worker to come in and apply for assistance. In a number of these substate areas, dislocated workers tended to have used up some or all of their UI benefits before they inquired about services.

Referrals from the ES/UI System—Referrals from the ES/UI system were the most widely used method of recruiting workers for substate EDWAA programs. At least 23 of the 30 substate areas studied had referral linkages in place and used them as a major source of outreach for their EDWAA programs. These linkages included referral of specific workers by ES/UI staff, provision of written or verbal information about EDWAA services to UI recipients (during application interviews or as inserts with UI benefit checks), and provision of lists of eligible workers by ES/UI staff to EDWAA staff, who then made recruitment contacts by telephone or mail.

ES/UI referral linkages were particularly important for one substate area that identified recently laid-off workers as a high-priority target group. In this substate area, the UI application process had been expanded to include a written form for referral to the EDWAA program. Using the information on this form, EDWAA staff contacted dislocated workers by mail within a week. EDWAA staff also reported back regularly to the UI office to keep them up to date on what services UI recipients had been enrolled in, so that UI staff would have an incentive to keep making referrals.

Substate Area or Service Provider Outreach to Eligible Workers—All but two substate areas also undertook general public media outreach to supplement client referrals from the ES/UI system and rapid response activities. These outreach efforts were particularly important to the substate areas that identified long-term unemployed workers as a priority target group for EDWAA services at the substate level. Where the Title II-A and EDWAA programs were closely related and client populations were similar, outreach efforts were sometimes combined for the two groups.

Thirteen substate areas were primarily responsible for conducting outreach; in nine substate areas, service providers were primarily responsible; in six substate areas, outreach efforts were a joint responsibility.

Two substate areas mentioned that they also got significant numbers of referrals from the vocational schools that provided retraining under individual referral arrangements. Evidently, these schools were screening applicants to see whether they could qualify for a "scholarship" from the EDWAA system.

Assessment and Assignment to Services

Assessment techniques and thoroughness varied widely. Ten substate areas conducted only informal assessment, consisting of the required reading test, followed by a brief face-to-face interview with an intake counselor to develop a readjustment plan. The remaining substate areas conducted more extensive assessments of dislocated workers. Seventeen assessed vocational interests and aptitudes. Twelve explicitly indicated that they assessed the transferability of skills that the workers had developed on their previous jobs. Twelve substate areas also frequently assessed dislocated workers' basic skills and determined the need for remediation to enter either classroom training or OJT in a new field.

Several respondents indicated that they were in the process of developing assessment procedures appropriate to dislocated workers but, for the most part, were still relying on their existing testing and counseling procedures developed for Title II-A participants. These substate areas recognized the value of assessment but were uncertain that they were using the most appropriate techniques for dislocated workers.

Two examples of assessment practices for dislocated workers stood out. One substate area stressed that applicants should be actively involved in developing their readjustment plan. The applicants made informational telephone calls to several prospective employers and training institutions in the desired occupational areas. As a result, applicants obtained up-to-date information about what skills employers considered important, whether additional training would be necessary to acquire these skills, and what training institutions employers rated most highly. Using this information, applicants developed readjustment plans for either direct job search or retraining at the institution of their choice.

Another substate area used a computer-assisted assessment procedure, felt to be useful for dislocated workers, to generate possible new occupations from input on the participant's work history, education, interests, and scores on aptitude and basic skills tests. A list was generated of area firms that normally employed people with the participant's background in the selected occupations and local wage rates. The system also linked into a job bank of current openings.

In addition to initial assessment and development of readjustment plans, at least nine of the substate areas used a case management approach to monitor participants' progress in achieving their occupational goals. In these substate areas, enrollees were assigned to counselors who kept in touch with them throughout their participation in EDWAA services. The intensity of the case management services varied, from one area where counselors contacted participants twice a semester while they were in long-term classroom training to a more active case management system in which counselors held weekly case staff meetings to discuss participant progress and job development strategies on a case by case basis.

The providers of assessment services varied widely:

- In 14 substate areas, EDWAA staff conducted intake, assessment, and enrollment in-house.
- Six substate areas contracted with a single contractor for the entire operation of their EDWAA programs, including the provision of these front-end services.
- Four substate areas contracted with more than one service provider for self-contained projects that conducted these front-end services for their own programs.
- In six substate areas, the ES office performed various functions for the EDWAA system in the process of taking UI applications, ranging from testing for occupational aptitude and interest to determining which individuals were appropriate for retraining and making referrals to specific EDWAA training curricula. These substate areas generally depended on referrals from the UI system for substate EDWAA applicants.

Enrollment

The EDWAA reporting instructions indicate that individuals who receive only outreach, intake, and initial assessment should not be enrolled as participants in the EDWAA program, but

that those who receive other services should be enrolled. Nonetheless, substate areas varied in when they enrolled individuals in basic readjustment services.

Seventeen substate areas enrolled individuals into basic readjustment services after the initial intake and assessment, as specified by the reporting instructions. Two substate areas enrolled individuals earlier than specified by the reporting requirements, after individuals were determined to be EDWAA eligible but before any assessment had occurred. In contrast, three other substate areas never enrolled individuals in basic readjustment services, even though such services were provided. In two of these, basic readjustment services were provided by state agencies and funded through 40% funds. In these substate areas, individuals receiving basic readjustment services only were never enrolled in EDWAA. The other substate area provided substantial basic readjustment services but enrolled only individuals participating in retraining because the contractor's performance-based contract paid only for retraining.

Eight substate areas did not generally provide any basic readjustment services beyond assessment, as discussed below. Only those who participated in retraining services were enrolled.

Postenrollment Basic Readjustment Services

Provision of Postenrollment Basic Readjustment Services

Substate areas differed substantially in the amount and types of postenrollment basic skills services they provided. In eight substate areas, dislocated workers did not receive any stand-alone basic readjustment services beyond assessment. If dislocated workers in these substate areas received any basic readjustment services, it was through a classroom training program. Substate area staff, however, were rarely involved in planning any basic readjustment services by their classroom providers and often were unaware whether any services were provided.

Several respondents in these substate areas emphasized that dislocated workers were much more job ready than Title II-A clients and therefore did not need basic readjustment services. Five of these substate areas placed a strong emphasis on OJT. Their assessment that dislocated workers did not need basic readjustment services may have stemmed more from the employers' view that these workers were job ready than from the participants' view about whether they needed help in adjusting to being dislocated.

Of the 22 substate areas that did provide postenrollment basic readjustment services, 12 provided the same basic readjustment services to dislocated workers as to Title II-A participants. Respondents in these substate areas often felt that dislocated workers were similar to Title II-A participants and, therefore, that integration was much more efficient and allowed them to leverage EDWAA resources. Only half of these substate areas exclusively targeted long-term unemployed, who may have characteristics in common with economically disadvantaged clients; the other half targeted recently laid-off workers.

In contrast, 10 substate areas offered basic readjustment services to dislocated workers that differed from those offered to Title II-A clients. These substate areas generally felt that dislocated workers needed different types of services, both because they had more job experience and because they faced different barriers to reemployment. Several respondents in these substate areas indicated that it was essential to understand the emotional needs of dislocated workers and their reluctance to accept decreases in their wage rates. The need for more individual attention was also stressed. All but one of these substate areas targeted recently laid-off workers.

In the substate areas where basic readjustment services were provided, there was substantial variation in the intensity of basic readjustment services offered to dislocated workers. General basic readjustment services ranged in length from 1 to 80 hours, averaging around 30 hours. Below we describe the types of basic readjustment services offered.

Job Search Assistance

In all 22 substate areas offering general basic readjustment services, some type of job search assistance was provided, usually through group job search workshops. Job search services included:

- Resume preparation. Fourteen programs helped participants prepare resumes and provided them with copies for their job search.
- Application and interviewing procedures. Eight programs trained participants in filling out job applications and interviewing techniques, often using videotaped mock interviews.
- Employability training. Three programs provided training in world of work skills, including working in teams, learning on the job, and job retention skills.

- Job search strategies. Thirteen programs provided training in how to find jobs, including finding "hidden" labor markets, use of networks, and use of labor market information.

- Peer support. Four substate area provided job clubs that offered peer support during the job search phase.

One substate area operated an ongoing job-seeking resource center, operated by a former dislocated worker. The center provided participants with unlimited local and national telephone calls, full use of copy and postal machines, and ongoing assistance in preparing resumes and cover letters appropriate to job leads. Individuals enrolled in this center who did not attend regularly were telephoned and encouraged to come in for assistance.

Several respondents indicated that job search training is critical for dislocated workers not only because they often have not searched for a job in years but also because job search practices have changed in recent years (for example, the increased use of resumes for all types of jobs).

Stress and Financial Counseling

Only four substate areas provided stress and financial management counseling services, all of which targeted recently laid-off workers. For example, one substate area provided an extensive workshop on motivation and self-esteem, including self-awareness, self-worth, and belief systems. This same substate area also conducted financial management workshops that included a determination of the minimum level of income each participant needed to meet his or her financial obligations, which was used to guide training and placement decisions.

Although they did not currently offer such services, several substate areas were interested in exploring ways to provide stress and financial counseling. This is another area that is likely to benefit from further technical assistance and dissemination of effective practices.

Relocation Assistance

Five substate areas provided some relocation assistance to dislocated workers. Usually, this was in the form of information about job openings out of the area and, rarely, some assistance for out-of-area job search. Procedures for providing relocation assistance, however, were generally not well developed. A respondent in one substate area said that relocation assistance was not offered because they did not know how to handle this activity or how to anticipate participation levels.

Service Providers and Funding Arrangements

Thirteen substate areas provided basic readjustment services in-house; in seven substate areas, the ES provided basic readjustment services; in two others, other types of providers were used, including a community-based organization, a university, and organizations affiliated with labor unions.

Although most basic readjustment services were paid for through substate areas' funds, there were some exceptions. In one state, either the state or substate areas funded basic readjustment services, depending on how dislocated workers were recruited. Both the basic readjustment and retraining services for workers recruited from rapid response activities at large-scale layoffs were funded with state 40% funds; these same services were funded by substate funds for workers recruited from other sources. Another state funded the ES to provide basic readjustment services, although only short-term job search training was offered beyond assessment.

SUMMARY AND ISSUES FOR DOL'S CONSIDERATION

Summary of Results

Rapid-Response-Linked Basic Readjustment Services

- In nine substate areas, on-site prelayoff basic readjustment services were routinely provided; in two others, such services were provided only when a labor-management committee was formed.

- Three states provided these prelayoff basic readjustment services as part of rapid response activities; three other substate areas provided both rapid response and basic readjustment services. Thus, in eight out of nine cases where prelayoff services were provided routinely, the same organization provided both rapid response and prelayoff services.

- Prelayoff services usually consisted of a series of group workshops, usually including a job search workshop and, in four substate areas, stress and financial counseling.

- Three substate areas also provided prelayoff training in basic skills remediation and ESL.

- The costs of prelayoff basic readjustment services were generally charged to the rapid response category when provided by the state and to the basic readjustment cost category when provided by the substate area.

- Employers usually contributed by providing space and release time for participation in on-site services. In three substate areas, some employers have also hired their own outplacement counselors.

- In some cases, rapid response activities resulted in the establishment of plant-specific projects. Typically, these projects provided basic readjustment services through ongoing resource centers established either on-site or at nearby locations.

General Readjustment Services

Outreach:

- Substate areas recruited dislocated workers through three mechanisms: rapid response, referrals from the ES/UI system, and general community outreach.

- Of the 15 areas experiencing moderate to high levels of dislocation, 9 recruited primarily through rapid response activities, but 6 substate areas did not. These six substate areas made presentations at rapid response orientations but left it up to individual workers to apply for services.

- At least 23 of the 30 substate areas established referral linkages with the ES/UI system and used them as a major source of outreach to dislocated workers.

- All but two substate areas also undertook general public media efforts to reach dislocated workers.

Assessment:

- The thoroughness of assessment procedures varied widely. Ten substate areas conducted only informal assessment; the remaining ones conducted more extensive assessment of interests and aptitudes. At least 12 substate areas assessed the transferability of workers' existing skills to new occupations.

- Although many respondents saw the value of assessment, they were struggling to establish procedures appropriate for dislocated workers.

- At least nine substate areas used a case management approach to monitor participants' progress in achieving their occupational goals.

Enrollment:

- Most substate areas enrolled individuals into basic readjustment services after the initial assessment, as specified by the reporting instructions. Three substate areas, however, never enrolled individuals into basic readjustment services even though additional services were provided beyond assessment.

Provision of postenrollment services:

- In eight substate areas, dislocated workers did not receive any postenrollment stand-alone basic readjustment services. Several respondents in these substate areas indicated that dislocated workers did not need basic readjustment services because they were job ready.

- Twelve substate areas integrated their EDWAA basic readjustment services with their Title II-A services. Although half were targeting recently laid off workers, many respondents felt that the needs of dislocated workers and the economically disadvantaged were the same.

- Ten substate areas offered EDWAA basic readjustment services that differed from Title II-A services. Respondents in these substate areas indicated that it was essential to understand the emotional needs of dislocated workers and their reluctance to accept decreases in their wages.

Job search assistance:

- All substate areas that provided basic readjustment services offered some type of job search assistance. Several respondents indicated that dislocated workers needed job search assistance because they had not looked for work in a long time and because job search techniques have changed in recent years.

Stress and financial counseling:

- Only four substate areas, all of which targeted recently laid-off workers, provided stress and financial counseling services. Several substate areas, however, indicated that they were exploring ways to offer such services.

Relocation assistance:

- Five substate areas offered some relocation assistance to dislocated workers. Procedures for providing such assistance were not well developed, and some substate areas indicated confusion about how to plan for this service.

Issues for DOL Consideration

Linking Rapid Response Activities and Basic Readjustment Services

In nine substate areas, either the state or the substate areas used rapid response activities to arrange for prelayoff basic readjustment services appropriate for the workers at a specific plant. Many of these substate areas served large urban areas with numerous large-scale closings.

Another two substate areas used rapid response activities to recruit dislocated workers into their ongoing programs. These substate areas developed procedures to follow up on workers dislocated from plant closures or layoffs, including scheduling appointments with the substate area at the time of the orientation meeting and following up with workers who attended the meeting by mail or telephone and, occasionally, in person to remind them of EDWAA services and how to apply.

The remaining substate areas rarely recruited dislocated workers from rapid response activities, although six of these substate areas were experiencing at least moderate levels of dislocations in their areas. These substate areas narrowly viewed the purpose of rapid response as providing information about the availability of services. They did little, however, to ensure that such individuals eventually applied for or received EDWAA services. This was particularly a problem in substate areas with decentralized intake systems, where dislocated workers needed to choose an appropriate service provider on their own and apply directly to the selected agency.

Thus, in several cases, rapid response did not result in either early intervention or increased service to recently laid-off workers. The importance of using rapid response activities to help ensure that dislocated workers receive appropriate EDWAA services, through either plant-specific projects or ongoing EDWAA programs, needs to be emphasized by both the state and federal policymakers.

Developing Basic Readjustment Services Appropriate for Dislocated Workers

One problem with the previous Title III program was its overemphasis on basic readjustment services, particularly job search assistance. As a result, the EDWAA legislation requires substate areas to expend at least 50% of their funds on retraining activities. As we discuss in the next chapter, in response to this requirement, substate areas have focused on establishing the retraining component of their EDWAA services.

In many substate areas, therefore, relatively little attention has been given to establishing effective basic readjustment services for dislocated workers. Nonetheless, many dislocated workers face difficult readjustments from dislocations resulting from the multiple losses, including:

- Loss of stability, associated with termination from a long-held position.
- Loss of an occupation, associated with possession of skills in a declining industry.
- Loss of income, if skills are nontransferable.
- Loss of self-esteem, connected with permanent job loss and confusion regarding future employment.

Basic readjustment services designed specifically for dislocated workers were not the norm in the 30 substate areas visited. In 8 substate areas, dislocated workers did not receive any stand-alone basic readjustment services beyond assessment, and in 12 others, EDWAA participants received the same basic readjustment services as Title II-A clients.

Given the demands of implementing the complex EDWAA program and, in many cases, providing more longer-term training, it is not surprising that substate areas have not focused on basic readjustment services. As the program matures, however, DOL may wish to clarify the importance of providing basic readjustment services designed to help dislocated workers cope with their multiple losses and provide technical assistance in developing appropriate services, particularly assessment, stress and financial counseling, and relocation assistance.

VIII RETRAINING SERVICES

This chapter reviews how EDWAA funds were used to deliver retraining services to dislocated workers through two types of service delivery arrangements: (1) ongoing general services for dislocated workers administered by substate areas and provided by substate-area-selected service providers, and (2) special projects, initiated at either the state or substate level to address the needs of workers affected by specific large-scale plant closures or groups of dislocated workers from specific industries or regions. The first section of this chapter reviews the different funding sources used to support retraining under EDWAA. The second section reviews the service provider arrangements and characteristics of classroom training and OJT provided to the general dislocated worker population under substate area formula funded programs. The third section describes the delivery of retraining services through plant-specific projects.

FUNDING FOR RETRAINING SERVICES

Funds for General Retraining Services

As discussed in Chapter III, one of the innovations of the EDWAA legislation was to create ongoing funding for a permanent substate service delivery system for dislocated workers. Thus, the primary sources of funds for retraining services were the 50% and 10% funds allocated to substate areas. As described in Chapter IV, substate areas budgeted between 30% and 85% of their funds for retraining expenditures.

State 40% funds supplemented general retraining resources in 5 of the 15 states studied. In two of these states, the supplementary training funds were provided through discretionary grants in response to a demonstrated need for additional funds; in the other three states, a portion of the states' 40% funds were distributed midyear by formula to all substate areas. The state supplement was not the major source of funds for general retraining in any of the substate areas visited but accounted for a sizable increase in available training resources in some areas.

In addition, six states used 40% funds to support general retraining services for dislocated workers through state-administered contracts. These state-administered retraining activities fell into two categories.

First, states used 40% funds for general contracts for retraining services to statewide or local program operators. In two states, these state-administered contracts funded providers that appeared to be in direct competition with the services provided by substate areas using formula funds. In another state, several state-administered contracts were used to fund innovative or demonstration projects that would increase the diversity and quality of retraining services available to dislocated workers in the local area.

Second, other states used 40% funds for contracts with other state agencies to provide retraining services to dislocated workers in all local areas. Two states contracted with state educational agencies to subsidize the cost of classroom training for participants enrolled by local substate areas, as long as state-approved educational institutions were used for retraining. A third state used 40% funds to contract with the state ES for all basic readjustment and retraining services needed by individuals recruited from large-scale layoffs. (In this state, substate areas were expected to target their retraining services to long-term unemployed individuals or workers recently laid off in small-scale layoffs.) A fourth state was considering a statewide contract with community colleges and vocational technical centers to fund basic skills and GED programs for dislocated workers.

Funds for Special Projects Involving Retraining

A number of different funding sources were used to support special projects involving retraining. Some substate areas used a portion of their formula funds for projects targeted to large-scale layoffs or industrywide dislocation. In some states, 10% funds were available for the development of plant-specific projects in response to layoffs that occurred early in the program year.

State 40% funds were available for plant-specific projects in 12 of the 15 states studied. In six of these states, procedures existed for making discretionary grants to substate areas for services in response to large-scale layoffs or plant closures that could be used to establish plant-specific projects. In the remaining six states, 40% funds for plant-specific projects were always provided directly to the selected service providers and administrative authority for 40%-funded special projects was retained at the state level. Discretionary grants from the Secretary's national reserve funds were also a possible source for funding plant-specific projects.

A number of states also used 40% funds to design and operate statewide, regionwide, or industrywide projects. Among the special state-initiated projects implemented in the study states were:

- Special contracts or projects to provide customized training or OJT contracts to particular employers, or entrepreneurial training to those interested in starting small businesses, as part of an economic development strategy (five states).

- Special contracts to train workers for jobs available in specific industries, such as health care, hospitality, hazardous waste management, aerospace, and building trades (four states).

- Projects to revitalize declining industries, as part of a layoff prevention and job creation strategy, including a project in one state to revitalize the declining oyster-farming industry.

- Projects to coordinate the recruitment, enrollment, and provision of retraining services to workers affected by a large dislocation that affected residents of several contiguous substate areas.

Coordination of Substate and State Funds for General Retraining Services and Plant-Specific Projects

In 9 of the 30 substate areas, some 40%-funded general retraining was provided to dislocated workers. Only three had any administrative control over the 40% funds being used in their area. Two of these substate areas were able to determine how they would use classroom training services subsidized through a state contract with the state education department; one substate area had participated in a consortium of local substate areas to develop a proposal for two industrywide projects serving dislocated workers living in that area.

Of the six substate areas that did not control 40%-funded general retraining activities within their local areas, the lack of control was a minor irritant, in most cases, rather than a major coordination problem. In two substate areas, the state ES and state vocational education department were using 40% funds obtained directly from the state to operate customized or vestibule training for large employers that were expanding their workforces. In another substate area, a state contractor operated an OJT program specializing in the building trades, separate from the substate-area-administered service system. The local ES office received additional state funds to pay for retraining services for individuals recruited from mass layoffs in a fourth

substate area. This was somewhat problematic, because the substate area wanted to target the same population—individuals affected by mass layoffs.

The lack of coordination between multiple funding streams was also a potential problem in the remaining two substate areas, each of which had several state-funded contractors offering general retraining services to dislocated workers within their jurisdiction. However, staff in one of these substate areas said that as long as each program was able to locate eligible dislocated workers and expend the available funds, the duplication of effort by state and substate contractors was not a serious problem.

Plant-specific projects often utilized funding from more than one funding source, including contributions from employers, substate funds, and state 40% funds. Generally, integrated project budgets ensured the coordination of resources within projects. However, plant-specific and industrywide projects were often operated independently of the ongoing service delivery system in the jurisdictions in which they were located, especially if the plant-specific projects were administered directly by the state and operated by a state contractor other than the substate area.

GENERAL RETRAINING SERVICES FOR DISLOCATED WORKERS

As described in Chapter IV, all but one of the substate areas visited offered dislocated workers a choice of OJT or classroom training.

Classroom Training

Classroom Training in Occupational Skills

Administrative Roles—Classroom training emerged as the dominant mode of occupational training for dislocated workers in 18 of the 30 substate areas studied, and all substate areas visited offered at least one classroom training option to EDWAA participants. As discussed in Chapter V, 15 substate areas integrated EDWAA classroom training services with Title II-A retraining services, while 12 substate areas used different service providers or negotiated separate contracts for the delivery of classroom training to Title II-A and EDWAA enrollees. (Three additional substate areas were not SDA administrative entities for the JTPA Title II-A program.) Substate areas operating distinct retraining programs for dislocated

workers were evenly divided between those with previous Title III experience and those who were administering services to dislocated workers for the first time under EDWAA.

Twenty substate areas directly administered the provision of classroom training to dislocated workers. In 17 of these substate areas, individual referral contracts were used to place EDWAA participants in courses available from a variety of public and private educational institutions. Eleven substate areas had contracts with one or more service providers for class-size curricula provided specifically for EDWAA or EDWAA/JTPA clients. In most substate areas, class-size training was used to supplement individual referrals to training options, although three substate areas exclusively used class-size training. Two substate areas directly provided classroom training to dislocated workers.

Nine substate areas used contractors for the administration of all classroom training to dislocated workers. In two substate areas, the contractors provided retraining services directly. In seven of these substate areas, contractors further delegated the delivery of training to a second tier of subcontractors, using individual referral agreements (6 substate areas) and/or contracts for class-size training (2 substate areas).

In two substate areas in which contractors were used for the administration of classroom training to dislocated workers, the substate area took a more active role in designing and overseeing customized training for specific employers. One substate area directly administered class-size training contracts, while delegating the administration of individual referral training agreements to the ES.

Training Providers and Contract Terms—Community colleges and vocational technical schools were the most frequent providers of occupational classroom training programs for EDWAA participants. In many SDAs, these schools were selected because they offered a wide variety of courses and because they were relatively inexpensive. However, several substate areas indicated that community colleges and, to a lesser degree, vocational technical schools were usually inflexible about the schedule of classes, requiring students to start classes only at the beginning of each semester and providing certificate courses that usually took a long time to complete. Respondents from one substate area said they had decided not to use the local vocational technical school any more because placement rates for referred trainees were low.

In some substate areas, however, community colleges offered vocational courses that were particularly responsive to the needs of dislocated workers. Two substate areas purchased classroom training services from community colleges that had open-entry/open-exit schedules for vocational classes. Several other substate areas had negotiated short-term class-size offerings in occupationally relevant areas from local community colleges. A fifth substate area worked with the local community college to develop special courses tailored to the needs of specific groups of dislocated workers (e.g., a course in computerized numerical control systems for laid-off machinists).

In most instances, community colleges were reimbursed with EDWAA funds for tuition payments. In some cases, class-size training contracts contained performance requirements, with a portion of the contract payable only upon placement of program trainees. One substate area negotiated performance-based contracts with all training providers, even for individual referrals to approved community college curricula.

Most substate areas supplemented their available course offerings by purchasing training in specific occupational areas from proprietary training schools or private educational institutions. The most common class-size courses purchased from proprietary schools were truck driver training and asbestos removal training. Individual referrals to private schools were also possible in most substate areas, as long as the course offering was not available from a public school for a lower price. One substate area permitted EDWAA enrollees to receive training from proprietary schools only if they would share the cost of tuition. Proprietary schools generally offered shorter and more intensive curricula than public training providers and took more responsibility for making placements at the conclusion of training than community colleges. Nearly all proprietary schools had performance-based contracts, with substantial hold-backs for placing clients at the conclusion of training.

Additional sources of classroom training for dislocated workers included community-based organizations and in-house programs operated by SDAs themselves. One substate area negotiated with two unions to develop a class-size program to retrain displaced auto workers for reemployment in machine shop and mechanic positions. Two substate areas offered dislocated workers access to class-size training programs designed primarily for economically disadvantaged workers and operated by a variety of community-based organizations. Several substate areas developed entrepreneurial training programs offered by local economic development organizations and, in one case, operated by the substate area itself. Finally, one substate area

operated its own vocational training institute for Title II-A and EDWAA enrollees, offering short-term intensive class-size offerings in a variety of occupational areas.

Characteristics of Training—Seventeen substate areas offered classroom training to dislocated workers only through individual referrals to approved occupational training curricula at local institutions. These substate areas generally encouraged a high degree of participant choice about training options, including the type of training to be sought and, often, the choice of the specific training provider. At one extreme, four substate areas basically treated the EDWAA training funds as a training voucher and encouraged the dislocated worker to explore the various options available in the local community; participants would then request approval for the specific training program that appeared most desirable. The total tuition approvable in these substate areas ranged from $1,200 to $6,000 per trainee.

Individual referrals to approved classroom training curricula also permitted participants to have some choice about the duration of training. In 14 of the 17 substate areas with individual referral arrangements only, trainees had access to retraining options of varying lengths (e.g., 2 semesters or 30 weeks). However, in 3 of the 17 substate areas, EDWAA participants had little choice about the duration of classroom training. In two sites, the only available course offerings were long-term training programs available from the community college, lasting 1 to 2 years. In the third site, most of the training options available through individual referral lasted only 4 months.

Five of the 30 substate areas offered classroom training to dislocated workers predominantly or exclusively through class-size offerings. Although several of these substate areas tried to make their class-size offerings appropriate for dislocated workers or tailored to the needs of workers affected by specific large-scale layoffs, the limited number of offerings made it difficult for these substate areas to meet the needs of all dislocated workers.

For example, one substate area was designated the substate grantee by the state to operate a single entrepreneurial training program. Dislocated workers from small-scale layoffs who were not interested in enrolling in this project had no other retraining options in this substate area. Another substate area that integrated EDWAA and Title II-A classroom training delivery systems provided class-size training in nine different vocational areas: office skills training, truck driving training, computer programming, word processing, health aide, child care worker,

food service, building trades, and automotive mechanics. Unfortunately, these training curricula were oriented to entry-level jobs not likely to be of interest to dislocated workers.

Substate areas that provided only class-size training limited not only occupational options but also participant choice about training duration. In most of these substate areas, classroom training options were short-term, lasting, at most, 8 to 15 weeks. One of the five substate areas in this category also offered longer-term training through individual referral, but dislocated workers rarely chose this option.

The remaining eight substate areas offered classroom training to dislocated workers through both individual referral arrangements and the provision of class-size curricula. Two substate areas, in a state with a very expensive community college system, limited classroom training options to short-term training (6 weeks in one substate area and 3 to 6 months in the other). In the remaining six substate areas, however, the availability of both class-size and individual referral arrangements for classroom training led to a greater choice of both occupational training curricula and training duration for the individual applicants. Staff at several of these substate areas described their strategy as being flexible enough to accommodate the training needs of applicants with very diverse characteristics by offering both short-term and long-term training and training for workers with different levels of formal education and technical sophistication.

Basic Skills Training

Classroom training in basic educational skills was provided in four different ways by the substate areas visited. In six substate areas, basic skills training was such a low-priority issue in designing classroom training options for dislocated workers that no mention of basic skills training was made during our site visit interviews. In these substate areas, referrals to basic skills training providers may have been available as part of their Title II-A training system, but basic skills training was not considered an important issue for dislocated workers.

In seven additional substate areas, basic skills remediation was viewed primarily as an issue for those planning to participate in occupational classroom training, who might need remediation before or in conjunction with enrollment in a specific vocational training course at a community college or technical school. In each of these substate areas, the provider of basic skills training was the educational agency also involved in providing occupational skills training to EDWAA participants. Although some basic skills classes were limited to short-term

refresher" courses, in other substate areas, a range of different skill levels and intensity of services was available. For example, one community college would accept anyone reading at the sixth grade level or higher. Another community college offered basic education classes at three levels: basic literacy, pre-GED, and GED.

A third category consisting of seven substate areas referred participants needing remediation to existing community resources rather than offering basic skills training using EDWAA funds. Referral resources included local literacy councils, adult basic education programs, and local school districts. These substate areas varied in whether dislocated workers were enrolled in EDWAA while they were receiving basic skills remediation or whether applicants were told to come back after they improved their basic skills. One substate area offered a $50 a week supportive services payment to basic skills trainees as an incentive to EDWAA enrollees to participate in basic skills remediation programs.

The fourth group of substate areas used EDWAA funds to pay for basic skills training. Of the 10 substate areas in this category, four had established, or were in the process of establishing, basic skills curricula specifically designed to meet the needs of dislocated workers. The others served dislocated workers alongside Title II-A clients requiring basic skills training. The service providers for remediation included community-based organizations, public schools, and an SDA-operated vocational training institute.

Three substate areas emphasized vocationally relevant basic skills curricula for dislocated workers. For example, one state required substate areas to spend their 10% funds on literacy training or entrepreneurial training. In response to this requirement, one substate area funded an 80-hour basic skills/vocational skills curriculum for those reading below the eighth grade that included 20 hours of preemployment skills training, 30 hours of occupational orientation, and 30 hours of workplace literacy training. The other substate area in this state was developing an occupationally linked literacy curriculum, to be implemented during PY 90. A third substate area designed several class-size courses providing intensive vocationally oriented basic skills and ESL skills training, each lasting 2 to 4 weeks, for its applicants with limited English language skills.

Other basic skill offerings paid for with EDWAA funds included self-paced, computer-assisted programs, traditional classroom training in basic reading and math skills, literacy and ESL classes, and GED preparation classes. One substate area offered a separate job search

workshop for individuals participating in GED or ESL training, so that the job search assistance would be sensitive to the needs of these clients. In one substate area, the adult educational system offered several vocational courses in conjunction with basic skills instruction.

On-The-Job-Training

OJT was available in 29 of the 30 substate areas visited. Most substate areas used OJT less frequently than classroom training, although seven substate areas used OJT as the predominant mode of training for dislocated workers. Additional substate areas had expected OJT to be more popular among dislocated workers than it actually turned out to be. The common explanation for dislocated workers' unexpected preference for classroom training was that OJT could not provide jobs in a new occupational area at the earnings level that dislocated workers wanted to achieve.

Administrative Roles—OJT for dislocated workers was administered by a single centralized entity in 25 of the 29 substate areas that offered OJT. In 17 substate areas, the substate area administrative entity took direct responsibility for negotiating and monitoring OJT contracts. In eight substate areas, a single contractor administered OJT contracts for the substate area. The contractor was the local ES in three sites; in one site, the contractor was a consortium of the ES, the substate area itself, and local educational institutions.

Four substate areas contracted with more than one organization to provide OJT. These service providers did not specialize in OJT but provided a mix of basic readjustment services, classroom training, and OJT to EDWAA enrollees served through a decentralized service system.

OJT for dislocated workers was administered through an EDWAA-specific program in 11 of the 29 substate areas that offered OJT as a retraining option. It was integrated with the administration of OJT for Title II-A participants in the remaining 18 substate areas.

Contract Terms—Of the 18 case study sites for which we obtained information about the length of OJT contracts, the duration of OJT was short (less than 13 weeks) in 10 substate areas and moderate (13 to 26 weeks) in 8 substate areas. None of the substate areas studied wrote OJT contracts for dislocated workers that exceeded 6 months in duration.

Characteristics of Training—In at least five cases, the design of the OJT service component appeared to be participant oriented, that is, oriented to locating quality jobs that provided needed training to dislocated workers. For example, one substate area said that it only wrote OJT contracts that would "increase the participant's standard of living over the long haul." Another substate area said that it looked for high-quality jobs with room for advancement in OJT positions. (However, this substate area wrote OJT contracts for jobs paying as little as $4.50 per hour.) Two additional substate areas included a specific description of the skills to be learned in the OJT contract. A respondent from one of these substate areas said that the OJT provider also carefully screened OJT occupations to ensure that they were in demand in the local labor market, as well as the history of the particular company to be sure that it was stable. Another substate area wrote OJT contracts in which the starting wage averaged $7.00 to $8.00 per hour.

A number of the OJT program designs in other substate areas appeared to be oriented more to economic development objectives or to meeting the needs of local employers than to meeting the training needs of program participants. At least three substate areas used their EDWAA OJT programs to further economic development goals by writing group contracts for new or expanding employers. One of these substate areas did not attempt to ensure that training actually took place. In fact, substate area staff acknowledged that a number of the OJT placements could have taken place as direct hires, without the training subsidy, but said, "we just don't do direct placements." Two substate areas said they encouraged employers to refer workers they wanted to hire to the JTPA program to see whether they were eligible for an OJT contract. Respondents from one of these substate areas also said that they wrote minimum wage OJT contracts because they wanted to help small employers.

Finally, two substate areas gave descriptions of their OJT programs that made it hard to find a rationale for these expenditures from either an employer or trainee perspective. One substate area described its preference for OJT by saying, "it's the most expedient way to spend the money." Another substate area that expected more dislocated workers to choose OJT than classroom training options described its OJT program as locating positions that are mostly "low tech jobs at low pay."

RETRAINING SERVICES PROVIDED THROUGH PLANT-SPECIFIC PROJECTS

At the time of our site visits, only 7 of the 30 study substate areas were the sites of new plant-specific projects developed with EDWAA funds. Thus, to generate sufficient examples of

plant-specific projects, we looked beyond the 30 case study substate areas to include other examples from the 15 study states. In each state studied, we attempted to learn about at least one example of a currently operating plant-specific or statewide project and, when possible, visited the project to observe operations and interview project administrators. The examples cited in this section are drawn from a total of 14 examples of plant-specific projects in the 15 study states.

All 14 of the plant-specific projects had service delivery procedures that were distinct from the ongoing services offered by the substate areas in which the projects were located. However, these differences were more apparent in the design and service delivery mechanisms for basic readjustment services than in the design and service delivery mechanisms for retraining.

All 14 plant-specific projects devoted part of their project budgets to the cost of retraining services for workers enrolled in these projects. All the examples reviewed offered classroom training, and half offered OJT as a retraining option.

Although the development of OJT positions was often performed by staff assigned to the plant-specific project, the delivery of classroom training services often used existing training options available in the local community.

Plant-specific projects potentially offered several advantages over the delivery of retraining services through general dislocated worker programs. First, plant-specific projects could help ensure that workers affected by a large-scale layoff would have access to retraining opportunities, by earmarking training funds for the specific use of workers affected by that layoff. Second, plant-specific projects offered the opportunity to design specially tailored classroom training curricula to meet the needs of a similar group of dislocated workers all laid off at or about the same time. Third, the development of appropriate OJT opportunities could be targeted to the needs of a group, rather than individually oriented.

Delivery of Retraining Tailored to the Needs of Affected Workers

Six of the 14 plant-specific projects reviewed developed classroom training curricula tailored specifically to the needs of the workers affected by a particular layoff or plant closure. These classroom training services tended to serve the entire population of dislocated workers from smaller, more homogeneous layoffs, and only a smaller group of interested workers from very large layoffs.

For example, for one plant-specific retraining project, a community college participated in the rapid response orientation for 45 workers who were primarily clerks/cashiers. Although the community college had a number of ongoing class-size training programs, the community college director recognized that the workers had specific retraining needs. Thus, the community college developed short-term training programs in intermediate word processing and computer accounting for these workers. The company gave workers release time for intake, allowing project staff to be on site for 2 days to conduct assessment and intake. Retraining included 10 weeks of word processing and 15 weeks of accounting studies and was completed 30 days before the dislocated workers' UI payments ran out. The substate area funded the EDWAA participants without any additional funds from the state.

In another case, the local substate area provided on-site rapid response orientation for 120 dislocated workers. Ten workers who were dislocated machinists approached the substate area about skills training they would need to reenter the labor market. The substate area contacted other machinists dislocated from the plant and designed a tailored program for 40 interested participants. The retraining program, funded entirely by the substate area, included statistical process control, math instruction, computer numerical control, and data processing.

Another method of tailoring services was to develop OJT contracts specifically for dislocated workers from a large-scale layoff. One example occurred at a plant from which 1,200 workers were dislocated. Staff were hired to provide basic readjustment and OJT services throughout the layoff notification and layoff period, including an OJT specialist who acted as the primary broker in the development of these training contracts. Plant management also actively encouraged private-sector employers to hire its dislocated workers for OJT jobs.

Another example of this strategy occurred at a layoff at a manufacturing firm affecting about 800 workers, for which a resource center was set up at the local union temple. Input for the program came from state officials, union representatives, substate area staff, and representatives from the vocational technical school districts. Most salaried employees were served by an outplacement consultant hired by the company, while hourly employees were provided postlayoff basic readjustment and OJT services at the resource center. A nonprofit corporation was set up to run this program, which was staffed by a dislocated machinist and an employment and training specialist. The center contracted with the local ES for an OJT developer, whose time was spent exclusively developing contracts for this targeted population. This program relied heavily on participants' "marketing" themselves for such positions. All job listings

developed were made available only to this group of dislocated workers; no listings were shared between the ES and this agency.

Increasing Access to Retraining

Another way that plant-specific projects differed from ongoing programs was increased access to retraining, typically through additional career counseling about existing training programs, additional assistance in applying for such services, and earmarking additional funds for workers dislocated from a specific plant.

An example of increased access to retraining occurred at a plant-specific project established for 850 workers laid off from a manufacturing plant. Under the auspices of a labor-management committee, an on-site resource center was opened to assist workers' transition to retraining services. Retraining options included programs already provided by local substate areas or that existed in the community, but there was no limit on the cost of retraining.

Delivery of Prelayoff Retraining

Another important but infrequent occurrence was plant-specific training services provided before the layoff. For example, a 40%-funded training project, developed well in advance of a layoff, was administered by the substate area with the aid of a six-member labor-management committee. The employer provided participants release time of 4 hours per day over a 9-week period. Computer training was provided in trailers brought to the site. Of the 289 workers laid off, 288 were able to find work before the layoff date, and no one claimed UI benefits.

SUMMARY AND ISSUES FOR DOL CONSIDERATION

Summary of Results

Organization and Delivery of General Retraining Services

Delivery of classroom training:

- Half of the substate areas integrated EDWAA classroom training services with their Title II-A services while the remainder used different service providers or negotiated separate contracts for EDWAA participants. (Twenty-seven of the 30 substate areas studied were also administrative entities for the Title II-A system.)

- The delivery of classroom training was highly decentralized in most substate

- The delivery of classroom training was highly decentralized in most substate areas, with a number of public and proprietary training institutions offering a variety of occupational training curricula from which dislocated workers could choose.

- Community colleges and vocational technical schools were the most frequently used providers because they offered a wide variety of courses at low cost. However, problems with these providers included their inflexible schedule of classes and the generally long duration of vocational curricula.

- Proprietary schools were generally used to supplement course offerings available to dislocated workers. They generally offered shorter and more intensive curricula. Additional sources of classroom training included community-based organizations and programs operated by substate areas themselves.

- More than half the substate areas studied offered occupational training exclusively through individual referrals. In contrast, five substate areas offered occupational training only through specific class-size contracts for a limited number of vocational curricula. The remainder offered both class-size programs and individual referrals.

- Many substate areas offered participants substantial choices among occupational areas, providers, and duration of training. Choices were generally more limited in substate areas that offered only class-size training options.

- In 80% of the substate areas visited, specific arrangements had been made for dislocated workers with basic skills limitations to address these deficiencies during EDWAA training. Methods included (1) referral to vocational schools or community colleges for remedial training in conjunction with occupational skills training; (2) referral to community resources that offered free basic education, GED, or ESL training to community residents; and (3) referral to EDWAA-funded providers that offered basic skills training as the primary training services.

Delivery of OJT:

- OJT was less popular with dislocated workers than had been anticipated in a number of substate areas. Several respondents indicated that OJT positions could not offer dislocated workers jobs that replaced their previous wage rates and could not prepare them for a high-paying job in a new occupation.

- Most substate areas wrote OJT contracts of short (less than 13 weeks) or moderate (13 to 26 weeks) duration.

- In some substate areas, there was evidence that the OJT program design was participant oriented, that is, oriented to locating quality jobs and providing needed training to the dislocated workers. These substate areas carefully screened OJT occupations and employers and sometimes wrote OJT contracts that specified what skills the trainee would learn.

- In a number of other substate areas, however, the OJT program appeared to be designed to further economic development goals or to meet the needs of local employers rather than to provide training to prepare EDWAA enrollees for high-quality jobs.

Plant-specific retraining:

- Only seven substate areas established plant-specific projects with EDWAA funds by the time of our site visits; we obtained information about an additional seven projects established within our sample of states.

- Six of the 14 plant-specific projects developed classroom training curricula tailored to the needs of the workers laid off from that plant.

- Most plant-specific projects provided extra counseling about training options and earmarked EDWAA funds for workers laid off from that plant.

- In one case, retraining was offered on-site before the layoff occurred.

Issues for DOL Consideration

Given the findings in this report on the provision of retraining to dislocated workers, DOL may want to consider the following issues:

- Whether the 50% retraining expenditure requirement is causing unintended effects.

- Whether integrating the design and operation of training for Title II-A and EDWAA leads to appropriate retraining options for dislocated workers.

- Whether OJT programs are well designed to improve the future long-term employment options for dislocated workers.

- Whether the emphasis on long-term training is the most appropriate goal.

Unintended Effects of the 50% Retraining Expenditure Requirement

Although most states' substate areas were in agreement with the federal emphasis on providing appropriate retraining opportunities for dislocated workers under EDWAA, the 50% retraining expenditure requirement was having some unintended effects in as many as one-third of the study substate areas, although the specific problems varied.

As reported earlier, several substate areas changed their preferred procedures for providing basic readjustment services to meet the 50% retraining expenditure requirement. Other substate areas said that the budget constraints created by this requirement were one of the reasons that they were offering very few supportive services under EDWAA.

Still other substate areas indicated that the requirement was causing them to spend retraining funds in ways that were not cost-effective. These included writing large numbers of OJT contracts, even when direct placements would have been possible; contracting with more expensive retraining providers; and bypassing opportunities to obtain free training for EDWAA clients by referring them to training available from other funding sources.

Several states also ran into difficulties resulting from the 50% retraining expenditure requirement when they attempted to provide state 40% funds to support retraining. One state that initially allocated 40% funds to state educational institutions to subsidize local retraining costs was forced to shift these funds because it was making it too difficult for substate areas to meet their 50% expenditure requirement. Another state explained that it did not use 40% funds for retraining because it did not want to "compete" for retraining expenditures with its substate areas.

In response to this situation, DOL may wish to encourage waivers to the 50% retraining expenditure requirements under a variety of different situations. One state offers a possible model. This state has specified limited circumstances under which the state will entertain requests for waivers to the federal expenditure requirement: (1) if non-EDWAA funds have been specifically earmarked for retraining activities; (2) if unforeseen plant closings or layoffs require the substate area to increase its basic readjustment expenditures substantially; (3) if a number of EDWAA participants receive training that is low in cost, as in the case of dislocated workers with transferable skills who need only minor skills upgrading; or (4) if spending 50% of EDWAA funds on retraining would result in substantial increases in the requirement for needs-related payments, child care, or transportation expenditures.

Whether Integrated Title II-A/Title III Retraining Services Are Appropriate for Dislocated Workers

Many substate areas seem to have taken advantage of the collocation of Title II-A and EDWAA administration to achieve economies of scale while continuing to provide retraining services appropriate to the needs of each group of JTPA participants. Integrated individual-referral arrangements, used by half of the substate areas, permitted access to a wide range of occupational training options that could accommodate the different needs of dislocated workers and economically disadvantaged clients.

Nonetheless, some problems occurred as a result of integrating Title II-A and EDWAA retraining services. First, most SDA administrators felt that they could not offer EDWAA participants needs-related payments or supportive services that were not also made available to Title II-A participants because EDWAA participants were generally less needy than the economically disadvantaged participants in Title II-A. As a result, few financial resources were made available to support dislocated workers participating in long-term training.

Second, a few substate areas had not explicitly addressed what the local EDWAA target population should be and how dislocated workers' retraining needs differed from those of economically disadvantaged individuals. Several of the substate areas visited said they had no particular priority target groups for EDWAA and had no special outreach strategies to reach dislocated workers. These substate areas assigned some applicants to EDWAA and others to Title II-A, according to which program's eligibility criteria they best matched. They also gave little thought to designing retraining options specifically for dislocated workers.

Third, as discussed below, OJT jobs may be less appropriate for dislocated workers in integrated programs.

Appropriateness of OJT

Although we did not obtain detailed information about the quality of the OJT program for dislocated workers, the evidence we did collect suggests that OJT is not always designed to provide training for high-quality jobs. This problem appears to be more prevalent for integrated OJT programs than for OJT programs operated specifically for EDWAA participants.

In several substate areas, OJT seemed to be viewed primarily as a tool to further local economic development goals by reducing the cost of labor for new and expanding employers.

Even when economic development strategies were not foremost, several substate areas operated OJT programs that were oriented to the needs of employers more than to the needs of dislocated workers for stable reemployment in high-quality jobs.

It is interesting that dislocated workers in a number of substate areas found OJT to be less attractive than classroom training. This is particularly striking in view of the limited financial support offered to sustain dislocated workers during classroom training.

To make OJT more attractive to dislocated workers, a major reorientation of EDWAA OJT programs is probably needed in many sites. It is possible that dislocated workers would benefit from an OJT program oriented specifically to their needs, rather than an integrated program oriented to the needs of less experienced Title II-A participants looking for entry-level jobs.

Encouraging Long-Term Training—Although most of the substate areas visited expressed verbal support for long-term training for dislocated workers, six substate areas were not sympathetic with this federal policy emphasis. Among the reasons provided for favoring short-term rather than long-term training for dislocated workers were the following:

- The perception that dislocated workers want and need rapid reemployment.
- The desire to offer short-term intensive training that could be completed during the period a worker was drawing UI benefits.
- Concern about the effect of long-term training on local goals for the cost-effectiveness of EDWAA services.
- The desire to promote long-term employment, but not through long-term training.

Among the substate areas that expressed support for providing long-term training options, most were able to make long-term training alternatives available to dislocated workers, but several expressed frustration at the lack of interest in long-term training among these workers. Other substate areas were frustrated at the inflexibility of the long-term training providers available to them and wished they could also offer some shorter-term, more intensive training with open entry/open exit.

In fact, when asked for their ideas about how to design appropriate services for dislocated workers, a number of administrators and service providers said that it was important to offer a

diversity of retraining options to accommodate the diverse characteristics of dislocated workers. Retraining options, according to this view, need to include relatively short-term training to upgrade existing skills and make them transferable to the demands of new occupations, as well as longer-term training to address the employment barriers faced by the long-term unemployed participants and experienced workers seeking to enter a new field of work.

The absence of needs-related payments in most substate areas created a particular dilemma for unskilled displaced workers with limited English skills or substantial basic skills deficits. These dislocated workers were among the least likely to enter long-term classroom training programs because they generally had little savings and needed immediate reemployment. The most difficult task identified by some substate areas was to design short-term training that would effectively improve the reemployment opportunities of these individuals.

In view of the experience of these substate areas, DOL may wish to clarify that the delivery of appropriate training that places participants in high-quality jobs with a likelihood of long-term employment, rather than the delivery of long-term training per se, is the goal of EDWAA.

SECTION D
SUMMARY AND CONCLUSIONS

IX PROGRESS IN IMPLEMENTING THE THEMES OF THE EDWAA LEGISLATION

This chapter reviews the progress that states and substate areas have made during the first program year in implementing the themes of the legislation. For each theme, we review the extent to which the objectives of the legislation have been furthered and summarize state and substate program strengths and weaknesses. A final section draws overall conclusions about progress in implementing EDWAA in PY 89.

BUILDING A SUBSTATE DELIVERY SYSTEM

The study states succeeded in creating statewide service delivery systems for PY 89 and in allocating 60% of states' allotments to these substate areas. States generally designated substate areas that used the same jurisdictional boundaries as the Title II-A SDAs and designated the local PICs and SDA grantees responsible for Title II-A as the substate grantees responsible for EDWAA.

The decision to use the existing Title II-A substate administrative capacity for EDWAA greatly eased the transition challenge for the study states. However, because the state role in Title II-A is less extensive than in EDWAA, choosing Title II-A SDAs as EDWAA substate areas made it difficult to achieve balanced state and substate roles in the design and implementation of the EDWAA program in some states. In some sites, state and substate area roles were clear and complementary; in other sites, state and substate area roles overlapped or were not clearly defined.

States generally took the lead in planning and coordinating rapid response activities under EDWAA, although substate areas usually participated in on-site orientation meetings and provided most basic readjustment and retraining services to workers affected by both large-scale and smaller layoffs and plant closures. States, however, were generally reluctant to assume a strong leadership role in establishing client priorities or in promoting specific program designs, particularly for formula-funded services. SDAs were accustomed to substantial independence in designing and operating Title II-A services; many states were hesitant to promote a stronger state-level role in program design for EDWAA.

Although a few states exerted strong control over substate program operations under EDWAA, most states deferred to substate discretion in the design and operation of substate-funded programs. In contrast, several states retained control over the design and operation of 40%-funded projects. Thus, the general pattern was that states and substate areas carved out their own distinct areas of EDWAA program operations rather than creating a single integrated system of services to dislocated workers.

On the other hand, several study states demonstrated that states could provide policy leadership to substate areas while leaving the details of program operations up to substate areas and their designated service providers. These states established clear client priorities, clarified and interpreted EDWAA eligibility guidelines and documentation procedures, disseminated effective program models, and encouraged substate areas to differentiate between the needs of dislocated workers and those of economically disadvantaged individuals in designing EDWAA service options.

In summary, a substate delivery system for EDWAA services is now in place. This statewide structure has made it possible for the EDWAA program to respond to the needs of a broad range of dislocated workers, from recently laid-off workers to long-term unemployed workers, and from individuals affected by large-scale layoffs to individually laid-off workers. The existence of a substate delivery system has also made it possible to spend program funds according to a more predictable and stable schedule.

Nevertheless, the EDWAA program would benefit from greater consistency and integration between the 40% funds controlled by the states and the 60% formula funds controlled by substate areas. DOL could play a useful role by encouraging the development of comprehensive statewide program goals and service priorities and by clarifying the intended roles of states and substate areas in setting priorities for EDWAA.

IMPROVING PROGRAM ACCOUNTABILITY

To enhance EDWAA program accountability, each state monitors program operations and maintains data on program participants, outcomes, and expenditures throughout the state. Objectives of the legislation included program accountability, to be furthered by the implementation of performance standards and the monitoring of state and substate performance outcomes, and fiscal accountability, to be furthered by oversight of program expenditures.

The majority of study states implemented only a single performance standard for substate areas under EDWAA—the required entered-employment rate. Several states implemented supplementary performance goals. Although several states were considering offering incentive awards for good performance on the standards in subsequent years, none of the study states had implemented performance incentive awards for PY 89.

The study states generally permitted considerable substate area discretion in the selection of target populations and design and operation of client services. Few states developed detailed criteria for the review and approval of substate EDWAA plans, and most approved substate plans with few, if any, changes. In addition, state technical assistance to and monitoring of substate area operations focused more on program compliance and procedural issues than on the effectiveness of the available services for the targeted dislocated worker population.

All states heavily emphasized fiscal accountability during PY 89 to help ensure that the federally mandated 80% expenditure levels were achieved by the end of the program year. Generally, program expenditures were monitored quarterly during the first half of the program year and monthly thereafter. Both voluntary deobligation and mandatory recapture of unexpended funds were used in the majority of the states visited.

Substate expenditure rates varied. In some states, substate areas that were underspending their formula funds voluntarily deobligated some funds; in other states, substate areas were reluctant to release EDWAA funds even if they were slow in spending their funds. About one-third of the study states imposed mandatory recapture procedures before the end of the program year to ensure that statewide expenditure rate requirements would be met, and all but one state imposed end-of-year mandatory recapture procedures. At least 12 of the 15 study states had met the 80% expenditure requirement by the end of PY 89. States that experienced difficulty spending out funds in a timely fashion generally attributed this to substate area inexperience in recruiting and serving dislocated workers, rather than to inadequate accountability mechanisms.

In summary, state accountability mechanisms appeared adequate to document EDWAA operations and outcomes and to implement standards of accountability in substate record-keeping and expenditure practices. However, states were not yet using their accountability mechanisms to identify whether substate areas design and operate programs appropriate for the needs of dislocated workers or to identify need for further technical assistance. Perhaps states

will provide leadership on program design issues through technical assistance and program monitoring as the program matures.

IMPLEMENTING RAPID RESPONSE

For the most part, states made conscientious efforts to implement the legislative requirements for providing rapid response. Most states designed procedures to receive WARN notices expeditiously and felt that the WARN legislation increased their knowledge of dislocations and increased their ability to respond rapidly to these events. Further, several states and substate areas took steps to increase employers' awareness about the provisions of the WARN legislation or to establish additional sources of information about layoffs, including linkages with ES/UI and economic development agencies, unions and business organizations, and the media. Other states and substate areas, however, had not yet undertaken additional efforts to help ensure that they learn of layoffs in their areas.

After learning of layoffs, states generally contacted employers by telephone within 48 hours, but on-site meetings usually occurred later, typically 1 to 2 weeks after receipt of the WARN notice. Several respondents indicated that the 48-hour requirement was difficult to meet because employers were often not willing to meet that quickly.

Layoff prevention efforts were the least successful rapid response activity. Virtually all states and substate areas indicated that the 60-day notice required by WARN was not sufficient to prevent a layoff. Indeed, even in states with active economic development agencies, successful efforts to prevent a layoff were rare once the employer had decided it was necessary.

The main focus of rapid response activities was on providing dislocated workers with information about EDWAA and related programs through on-site orientation meetings. A few states encountered frequent employer resistance to holding orientation meetings; in these states, many affected workers were not informed about community resources. Most states, however, held orientation meetings for virtually all layoffs for which advance warning was received. Emphasizing the benefits to both employers and employees was frequently mentioned as the key to obtaining employer cooperation.

During the first program year, states and substate areas have directed most of their efforts toward establishing the *mechanisms* for providing rapid response. However, less attention has

been given to *what the rapid response mechanisms were intended to achieve.* Informing workers about EDWAA and related community services is, indeed, a valuable objective and was achieved in most areas. However, rapid response can also lead to early assessment of the needs of affected workers, giving the EDWAA program time to arrange for services appropriate for the affected workers, and to early intervention, such as the provision of prelayoff basic readjustment services and early recruitment into ongoing EDWAA programs.

These latter objectives of rapid response were less widely achieved. Prelayoff basic readjustment services were routinely provided in only 9 of the 30 substate areas, and eight of these areas were already providing prelayoff services before EDWAA. Two more substate areas recruited many dislocated workers through their rapid response activities. The remaining substate areas did not routinely recruit dislocated workers through rapid response, even though six conducted at least a moderate number of rapid response orientations. These substate areas left it up to individual workers to seek out EDWAA services on their own. Further, we saw only a few examples of plant-specific projects that tailored retraining services to the specific needs of affected workers.

One reason that rapid response did not commonly lead to early intervention services may be the legislated division of responsibilities. In most states, the state led rapid response efforts, and substates were responsible for arranging subsequent services. However, in contrast to the typical division of these roles, in eight of the nine cases where prelayoff basic readjustment services were provided, the same agency was responsible for both rapid response and prelayoff services. It seems that many substate areas saw their role as operating ongoing dislocated worker programs and saw the state's role as providing rapid response activities. That common view left unassigned the task of providing early intervention services to workers dislocated from specific plants.

ENCOURAGING LABOR-MANAGEMENT COOPERATION

The level of state and substate interest in promoting formal labor-management committees varied dramatically. In some states, labor-management committees were viewed as an essential element of rapid response and were presented to business owners as "the way we do rapid response under EDWAA" for both large-scale and small-scale layoffs and plant closures. Other states encouraged and supported the formation of labor-management committees and operation

when company representatives were open to the idea but formed formal committees relatively rarely, usually only for very large-scale layoffs or plant closures.

The actual format and role of labor-management committees also varied widely across the states, ranging from formal organizations responsible for designing prelayoff services or overseeing the operation of a plant-specific project to informal advisory committees assisting in outreach and recruitment during rapid response efforts. Although the formal labor-management committee format did not find widespread favor during PY 89, the states that were using it perceived labor-management committees to be useful in reaching large numbers of affected workers and helping workers to obtain reemployment.

A variety of other mechanisms were also used to promote active employer and worker involvement in EDWAA planning and service delivery. These practices included the formation of general labor-management councils at the state and local level; the creation of broader community task forces for large-scale layoffs; the encouragement of employer contributions to support readjustment and retraining, even if a labor-management committee was not formed; and the active involvement of labor organizations and former dislocated workers in the design and delivery of services to dislocated workers.

Most states and substate areas appeared to be responding to the federal objective of encouraging labor-management cooperation in appropriate and creative ways. However, some states appeared to be going through the motions of encouraging labor-management committees merely to satisfy the federal policy initiative, without understanding *why* they were being encouraged to support them or what other mechanisms might further the same objectives.

To clarify federal program objectives, DOL may wish to emphasize to states the objectives that labor-management cooperation is intended to further and to support a wider variety of organizational formats that would accomplish these objectives. The policy objectives include: (1) reducing labor-management tensions and promoting a timely flow of accurate information to affected workers; (2) making EDWAA services responsive to worker needs by involving worker representatives in assessment and program design; (3) increasing the effectiveness of outreach and recruitment efforts and promoting high levels of participation in prelayoff services; (4) increasing the resources available for services by combining public and private resources; and (5) monitoring the effectiveness of service delivery to make sure that affected workers do not "fall through the cracks" and that available services lead to high-quality reemployment.

PROMOTING COORDINATION OF FUNDS AND SERVICES

Because most substate areas were also Title II-A SDAs, coordination between EDWAA and Title II-A was very common. Only 6 of the 30 substate areas operated entirely distinct EDWAA and Title II-A programs. In the remainder, the two programs were at least partially integrated, and in 11 substate areas the programs were highly integrated.

This strong coordination with Title II-A raises the issue whether the specific needs of dislocated workers were being adequately addressed or whether the needs of the economically disadvantaged workers dominated program priorities. In most cases, retraining options available to dislocated workers were highly diverse because participants were individually referred to many local programs or participated in OJT. In a few cases, however, dislocated workers received training in only a limited number of occupations that seemed more appropriate for Title II-A participants looking for entry-level jobs. Further, in a majority of cases, dislocated workers received either the same basic readjustment services as Title II-A clients or no basic readjustment services at all because they were viewed as more job ready. More emphasis on the specific needs of dislocated workers would help substate areas realize the benefits of coordination with Title II-A while delivering services appropriate to dislocated workers.

Coordination between the EDWAA program and the ES/UI system was also strong. The ES/UI system's chief contribution was information. Labor market information and UI claimant information were used in planning EDWAA services and in allocating funds to substate areas. ES/UI played an important role in identifying plant closures and layoffs, particularly in states where employer compliance with WARN was low. EDWAA also frequently relied on the ES/UI system for eligibility information, and the ES job bank provided valuable information to EDWAA participants. The ES/UI system also provided some services directly to EDWAA participants. In all states, ES and UI staff presented information about their programs during rapid response orientation meetings; in several areas, ES/UI staff also provided basic readjustment services to dislocated workers.

In a few substate areas, however, poor relationships between EDWAA and ES/UI systems hampered coordination. Often this situation arose where the ES/UI system had played a larger role in dislocated worker programs under the previous Title III. Several other areas avoided such "turf battles" by emphasizing the mutual program benefits of coordination.

Coordination with TAA was less well developed, in part because of confusion arising from the complexity of the TAA program and in part because of lack of clear policies about how to provide services to workers eligible for both programs. Nonetheless, several states developed effective strategies to coordinate with TAA, which were particularly helpful for participants who could use TRA benefits to support themselves during longer-term training. Further, state technical assistance on TAA regulations to EDWAA staff and local attention to developing effective strategies for linking these two resource streams would improve coordination with TAA.

Several states coordinated with economic development agencies to try to prevent layoffs, and two states funded prefeasibility studies to investigate employee buyouts. Success, however, was rare. More successful were linkages between EDWAA and economic development training programs and with economic development efforts to attract new businesses. In some cases, however, such coordination did not work to the benefit of EDWAA participants because the economic development agency's goal of serving employers took precedence over EDWAA's goal of improving dislocated workers' employability.

Coordination with education agencies occurred primarily when substate areas purchased training services from vocational schools, community colleges, and other local educational agencies. These agencies were the major providers of classroom retraining services in a majority of the substate areas. Coordination with human services agencies was decentralized and largely informal.

Overall, EDWAA programs made substantial progress in coordinating with other related programs during PY 89. However, state and federal technical assistance to substate areas is required to avoid the diffusion of EDWAA goals that occurred as a result of coordination, particularly with the Title II-A program and with economic development agencies.

SERVING A BROAD RANGE OF DISLOCATED WORKERS

Several findings of this report are relevant to assessing EDWAA's progress in serving a broad range of dislocated workers. First is the issue whether the funds received by states and substate areas were adequate for the needs of the dislocated worker population. Among the 15 states studied, 4 had inadequate funds. These states generally had high levels of dislocation,

although some had relatively low unemployment rates. The remaining 11 states had adequate funds; 3 of these states expected to have some funds recaptured.

About one-third of the substate areas in our sample had resources that fell far short of meeting the needs of their dislocated worker populations. These substate areas either experienced very high levels of dislocation or received very small grants ($50,000 or less). In contrast, nine substate areas had more funding than could be easily spent. Some of these were in rural areas with high unemployment rates; several others were in areas that were recovering from severe economic downturns in earlier years.

Whether substate areas' funds matched local needs was highly correlated with the extent to which the state based substate allocations on the number of plant closings or major layoffs. In particular, of the nine substate areas with inadequate funds, seven were in states that placed a zero or low weight on the number of dislocations in their allocation formulas.

EDWAA legislation authorizes the Secretary to develop data on the number of dislocated workers and dislocations. The results of this study point out the importance of such data in distributing EDWAA funds to match the needs of dislocated workers.

The second issue related to serving a broad range of dislocated workers is the types of dislocated workers that were targeted by states and substate areas. Generally substate areas were serving the type of dislocated workers prevalent in their community: most substate areas experiencing high rates of plant closures or layoffs were targeting recently laid-off workers; most substate areas experiencing few recent dislocations were serving long-term unemployed individuals. Five substate areas, however, were experiencing at least moderate levels of recent dislocations but were targeting long-term unemployed individuals who were similar to the Title II-A clients these programs were accustomed to serving. These substate areas typically used the same outreach procedures for EDWAA and Title II-A clients and rarely recruited from rapid response efforts. In these cases, the goal of serving a broad range of dislocated workers has yet to be achieved.

Some substate areas were confused about what types of workers should receive priority for EDWAA services. Several were uncertain whether to target individuals most in need or whether to serve relatively well-off dislocated workers. Confusion also arose because some states and substate areas were closely linking EDWAA eligibility requirements to WARN definitions and

requirements. For example, some substate areas were not serving temporary workers dislocated by substantial layoffs because WARN notices are not required for layoffs of temporary workers. Federal or state clarification of these targeting issues would help substate areas to serve appropriate types of dislocated workers.

PROMOTING LONG-TERM TRAINING

The intended goal of the federal emphasis on long-term training under EDWAA was that dislocated workers have access to services sufficiently intensive that they can obtain reemployment in high-quality jobs, replacing as high a percentage of their prelayoff wages as possible. This federal policy objective was communicated to states and substate areas in two ways: (1) through requiring that substate areas spend 50% of their formula funds on retraining activities and (2) through encouraging states to provide incentives for long-term training.

Most states were enthusiastic about the federal 50% retraining expenditure requirement and did not encourage requests for waivers from substate areas. Meeting this requirement was not a problem for about two-thirds of the substate areas studied. However, the 50% retraining expenditure requirement had some unintended effects in as many as one-third of the study substate areas because it restricted their budget flexibility. These unintended effects included:

- An inability to fund sufficient basic readjustment services and job search training for dislocated workers.
- An inability to devote a significant portion of the EDWAA budget to the provision of supportive services.
- Perceived increased pressure to write OJT contracts, even if direct placements were possible.
- Reduced incentives to leverage other funding sources to help support the costs of retraining for EDWAA clients.

In response to this situation, DOL may wish to reemphasize the importance of basic readjustment services and supportive services as part of the comprehensive package of services for dislocated workers. DOL may wish to encourage states to offer, and substate areas to request, waivers to the 50% retraining requirement under a variety of prespecified situations to prevent these unintended effects.

The response to the federal encouragement of incentives for long-term training has been somewhat more complicated. Although the majority of states and substate areas were generally supportive of providing long-term training options for dislocated workers, a number of respondents emphasized their belief that the focus should be on services that increase access to stable, high-quality employment, rather than on long-term training. In fact, when asked for their ideas about how to design appropriate services for dislocated workers, a number of administrators and service providers said that it was important to offer a variety of retraining options to accommodate the diverse characteristics of dislocated workers. According to this view, retraining options should include short-term training to upgrade existing skills to make them transferable to new jobs, as well as longer-term training to address the employment barriers faced by long-term unemployed persons and experienced workers seeking to enter a new field of work.

Only two of the study states chose to design incentives for the provision of long-term training. In seeking to promote high-quality training under EDWAA, several states have implemented or are planning to create incentives for the achievement of high-quality reemployment outcomes rather than the delivery of long-term training. These incentives include the design of state performance measures based on postprogram outcomes, the establishment of relatively high state goals for the mean cost per entered employment, and the establishment of wage or wage replacement goals or standards.

In delegating the design of supportive services and needs-related payments to the substate level, states gave substate areas both explicit and implied messages to give low priority to these elements of the EDWAA service package. As a result, substate areas usually budgeted less than 10% of available funds for all supportive services (rather than the 25% permitted by the legislation) and actually spent an even lower percentage. Furthermore, at the time of the site visits, none of the substate areas visited offered needs-related payments at the UI benefit level to participants in long-term training. Applicants interested in long-term training usually had to depend on spouses' earnings, part-time employment, and financial aid available through educational institutions to support themselves and their families during training.

States and substate areas are still struggling with how to develop service designs that will enable dislocated workers to take advantage of long-term training options given the absence of needs-related payments for participant support during training. The absence of needs-related payments created a particular dilemma for unskilled displaced workers with limited English skills or substantial basic skills deficits. These dislocated workers are currently among those

least likely to enter long-term classroom training programs because they generally have little savings and need immediate reemployment. Given this situation, a number of substate respondents indicated that short-term intensive training tailored specifically to dislocated workers' needs for skills upgrading makes more sense than long-term training through referral to existing educational offerings in the community.

We recommend that DOL continue to encourage the provision of appropriate retraining options for dislocated workers, including the availability of long-term retraining when needed. However, rather than encouraging long-term training per se, federal policy should encourage training that is substantial enough to meet individual workers' reemployment needs. Given the unexpected client preference for classroom training over OJT under EDWAA, there is also a need for more federal and state policy guidance to help substate areas and dislocated workers devise ways to help these workers support themselves during training.

CONCLUSIONS

Overall, the states and substate areas studied have made considerable progress in implementing EDWAA during PY 89. Program implementation designs and procedures have succeeded in creating service delivery systems for dislocated workers that are comprehensive in geographic scope, rather than covering only selected local areas; that are able to respond promptly to notifications of planned layoffs and plant closures; and that reach a wide variety of dislocated workers, including workers affected by large-scale layoffs, individually laid-off workers, and the long-term unemployed. We, however, recommend changes in three major areas to give dislocated worker programs a clearer focus and direction and to promote greater coordination between state and substate area programs.

Pay Greater Attention to the Objectives of EDWAA

During PY 89, states and substate areas devoted significant time and energy to establishing a variety of formal EDWAA mechanisms. For example, states developed rapid response teams and procedures for responding to WARN notifications. Some states and substate areas promoted the formation of labor-management committees or other mechanisms to facilitate worker and management input into the design and delivery of services to dislocated workers. Both states and substate areas developed cooperation linkages with a variety of employment and social service programs.

When developed to accomplish clear functional objectives, these mechanisms appeared to increase the effectiveness of state and local service systems. In some cases, however, staff seemed to be "going through the motions" of developing organizational forms encouraged or required by the EDWAA legislation without sufficient attention to what these mechanisms were intended to accomplish. This problem was particularly acute in attempts to establish labor-management committees and in providing rapid response. To a lesser degree, it affected the development of coordination linkages. In future program years, we recommend that EDWAA policymakers focus more attention on what these mechanisms are intended to achieve: for example, that rapid response mechanisms are intended to encourage early intervention and increased program participation by affected workers and that labor-management committees can be a useful tool in assessing worker needs and marshalling worker and management resources to provide appropriate prelayoff and postlayoff services.

Work to Develop a Coordinated State and Substate Area Dislocated Worker Program

Second, greater efforts seem to be required to create a coordinated EDWAA program within each state. We found a general pattern of states and substate areas carving out their own areas of authority under EDWAA rather than working together to produce a coherent statewide system. States tended to retain control over 40%-funded activities and leave the design and delivery of formula-funded activities to substate areas rather than providing policy leadership for the entire state dislocated worker program. Further, the linkage between rapid response activities (usually led by the state) and enrollment of recently laid-off workers in services (usually a substate area function) did not function well in several areas. As a result, dislocated workers had to find their own way into local EDWAA services in many areas. Greater coordination of state and substate activities would improve the overall effectiveness of dislocated worker services.

Develop Clear Strategies for Targeting Dislocated Workers and Disseminate Effective Service Designs

Third, more effort is required to determine the needs of dislocated workers and to develop or adopt services appropriate to those needs. Some substate areas had clearly identified the problems of dislocated workers in their areas and thought through the most effective way to meet those needs, establishing service options appropriate for dislocated workers. Other substate areas were less purposeful in their planning, in part because of a lack of understanding about the needs of dislocated workers and in part because of a lack of information about effective program

designs. Furthermore, both states and substate areas appeared to be developing program options in isolation, without much sharing of program models either within or across states. Greater attention to the design of appropriate and effective services for dislocated workers would strengthen services to this population. States may be able to play an important supportive role in this process by providing technical assistance in program planning and by encouraging dissemination of effective practices.