

The Ins of & Outs

By MARY CONDON, Staff Writer

Displacement has gained recent notoriety as the employment problem of the moment—a problem that, according to media reports, is likely to increase dramatically within 20 years, rendering the skills of millions of workers obsolete. Retraining these people with the job skills they'll need to be employable in a service- and information-based economy is held as the immediate prescription for the ills of displacement.

The economists, labor market analysts and business leaders who have explored the issue say that a closer look reveals that displacement is not as big a problem as we might think and that job retraining is not the answer. These experts suggest that the choices business makes about training and retraining active workers will have a substantial impact on their continued employability, but the needs of displaced workers are more fundamental.

The basics

Simply stated, displacement refers to workers who have lost their jobs as part of the process of economic change. Among the causes of displacement are the introduction of labor-saving technology, plant closings and mass layoffs that result from shifts in consumer demands for different kinds of goods and services or for foreign products, and other economic factors.

A distinction is often made between employment displacement and job displacement. The former typically refers to an individual who is involuntarily separated from an employer because the

job has been eliminated. Job displacement is the elimination of a job, regardless of whether the worker is separated from the firm. This distinction and arbitrary length-of-unemployment standards make measuring the magnitude of displacement tricky.

A Congressional Budget Office (CBO) estimate indicates that between 1.6 and 1.9 million persons lost their jobs as a result of declining industries or declining occupations in early 1983. This represents about 15 percent of the total unemployment figure. The CBO identified approximately 250,000 persons who are job losers from a declining industry or occupation *and* who were unemployed for more than 26 weeks. Other estimates account for early retirements and those who have resorted to part-time employment, which puts the figure between 500,000 and 750,000 for displaced persons who have not been efficiently absorbed in new employment. Even if the higher estimate is accurate, it is clear that only a small percentage of the total unemployed population is victimized by displacement.

The most visible population of displaced workers are from the auto and steel industries. Jobs in these industries have been eliminated because of permanent reductions in demand for either the goods and services the workers produce or for the skills they possess. Unionized auto and steel workers, the principal focus of media attention, receive total compensation that is approximately 50 percent higher than the average in all U.S. manufacturing occupations. These workers, obviously, stand to lose the most from displacement.

The geographic concentration of these

industries means that most of the displaced will not be called back to their old jobs and will have difficulty finding new jobs that are comparable in terms of required skills and compensation.

Another reason for heightened concern about displacement is the "export" of U.S. manufacturing jobs to foreign countries with lower wage levels. Some analysts suggest that high union wage scales for auto and steel occupations have contributed to a shrinking domestic labor market in these industries, but that the situation for other types of manufacturing in this country is far less dramatic.

In addition, the export of production processes is cited as a common cost-cutting practice to enhance competition during the later stages of a product's life cycle—when the product has become standardized and a mass market has developed.

Anthony Carnevale, consulting economist with the American Society for Training and Development, points out that the reputed sources of displacement—technology and trade—represent only minor displacement effects, and that these effects will be readily absorbed due to attrition rates within industries and the slow growth rate of the work force.

What happens to displaced workers?

Research studies show that divorce, suicide and drug abuse are linked to long-term unemployment. However, in *Plant Closings and Economic Dislocation*, Gordus, Jarley and Ferman observe that the negative mental and physical anomalies

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to be expected from plant closings, as distinct from unemployment in the broader sense, aren't as severe as one might think. Stable work histories, community attachment and family support prevent the early onset of serious problems, although extended unemployment increases the likelihood of such difficulties.

Carnevale adds that displaced workers do not suffer from severe labor market handicaps, as compared to stable low-income populations, because they usually have more preemployment education, work experience and training. Their incomes are higher prior to and during displacement; subsequent jobs are more stable and higher paying. More than 60 percent of displaced workers have other wage and benefit earners in their families. These characteristics make waiting for recall or holding out for the best job opportunity less painful than it is for the disadvantaged or other "hard core" unemployed persons.

However, new employment for displaced workers is often difficult to obtain, especially for older, unskilled, less educated or high-seniority workers. Relocating to an area where there are more jobs is often difficult because the older worker is likely to be invested financially and psychologically in his or her community. Trying to sell a house in an economically depressed community or where there is a sudden increase in unemployment compounds financial burdens.

Early retirement (labor force withdrawal) is a frequent response to displacement. More women, minorities and older workers leave the labor force this way than do prime-age white males.

In a study of 45 plant closings, researchers found that 21 percent of women under the age of 40 and 29 percent of those over 40 had zero earnings in the year following shutdown. Comparable figures for males were five percent and 19 percent, respectively. Part-time employment also increased substantially for both men and women over the age of 40 in the year following shutdown.¹ Another multi-industry plant closing study measured labor force withdrawals ranging from 17 to 22 percent for prime-age men, between 28 and 42 percent for prime-age women and more than 50 per-

cent in every industry studied for workers over 53 years old.² Many displaced persons do find new jobs with new employers, but this is often at substantially lower levels of wage and benefit compensation than was provided by the former employer. Earnings loss studies have focused primarily on plant closings and show, again, that older workers and women experienced larger earnings losses than prime-age males. As might be expected, earnings loss is higher where opportunities are limited, in smaller labor markets and when unemployment rates are high.³

Earnings loss also varies by industry. Losses are greatest for workers who have

been displaced from high-paying, unionized industries. For example, losses average 20 percent for the first two years after layoff from the auto and industrial chemicals industries. Industrial chemicals workers experience continued losses after four years, auto workers tend to resume the old earnings path within five years and male textile workers are often completely caught up by the third year after layoff. Women textile workers experience larger, longer-term earnings losses.

Despite exaggerated media claims, most information about displacement

Technology and trade represent only minor displacement effects, and these will be readily absorbed by natural attrition within industries and the slow growth rate of the work force.

reveals that the problem is important not because of the numbers of people it affects or what happens to them, but because of the questions it invariably raises about the future of our economic, work and value systems. Will most displaced people return to their jobs after the recession? Is the U.S. deindustrializing? Will the jobs of the future offer the same career and earnings paths, or must expectations change? Will technology displace large numbers of people or create more jobs? Will occupations be rigidly polarized with mostly very high- and very low-paying jobs? How can employment security be achieved? Are we entering an era of unprecedented change or embark-

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ing on another series of economic adjustments?

These questions may not be new, but recent emphasis on the subjects of displacement, technology and productivity has served as a catalyst for an urgency to find answers. Theories based on historical trends and research data provide insight into the dynamics of displacement and how it can be managed.

Where the jobs are

Marc Bendick, a senior research associate at the Urban Institute in Washington, D.C., believes that permanent displacement is largely a function of the *cyclical* macroeconomic factors of recession and high interest rates rather than *structural* factors such as new technology or changing international trade patterns. He believes that when the recession is over, most of the displaced will return to their old jobs or similar ones. Those left behind by an economic recovery will include some of the displaced, but they will be dominated by four to five million disadvantaged workers—inner city, minority teens without high school diplomas; women dependent on public assistance; and low-skill/low-wage “working poor” adults.⁴

Bendick and others say that a declining proportion of jobs in manufacturing should not be confused with a declining number of jobs. Total U.S. employment in manufacturing has held steady at about 25 million jobs for more than a decade. It has only represented a declining proportion of all jobs because the service sector has grown dramatically in the same time—from about 47 million to 65 million jobs. Certain individual plants, firms or product lines close while others open, creating local pockets of displacement. But, since the total number of manufacturing jobs is not decreasing, displaced manufacturing workers needn't rush to seek training for reemployment outside of manufacturing.

Barry Bluestone of the Department of Economics at Boston College, however, emphasizes that the regional and industry-specific factors that cause localized displacement are more important than the total number of manufacturing jobs available. For example, even if an entire industry moved intact (i.e., no net jobs were lost) from the Great Lakes area to the Southwest, a majority of the former employees would remain in the Great Lakes area, unemployed, due to the difficulties of relocation.

Polarization

The fact that some displaced workers never attain the wages, benefits and job security attendant to the jobs they lost has led some analysts to believe that a fundamental shift in the overall job structure is underway. The old mill-based (apparel, textiles and shoes) and smokestack (auto, steel, tires, appliances and petrochemicals) industries have become characterized by relatively small high-wage/high-skill and low-wage/low-skill segments with a large, semi-skilled, blue- and white-collar middle segment. The industries that are expanding today have a different employment distribution. The computer industry has relatively high-wage jobs in hardware design, software development and systems analysis and low-wage/low-skill jobs in computer assembly and low-level programming. In retail trade, there are well paid managers, advertisers, buyers and accountants and poorly paid salespersons.

Bureau of Labor Statistics projections show that seven of the 10 occupations expected to produce the most new jobs between 1980 and 1990 are among the lowest paying, lowest skilled in the economy: nurse's aids and orderlies, janitors and sextons, sales clerks, cashiers, fast-food workers, general office clerks and waiters and waitresses. Other fast growing occupations require substantial post-secondary education and are high paying: paralegal personnel, computer analysts, physical therapists, speech and hearing clinicians, economists and aeronautical engineers. This implies that occupations themselves may become polarized, not just the jobs within industries.

Bluestone and others interpret these projections to mean that we “. . . may be entering an era in which for those in the old industrial middle, downward ‘skidding’ rather than traditional upward mobility may become the norm. And, for new entrants to the labor force, those who do not have advanced skills may be permanently relegated to the lower mode of the distribution.”⁵

Other analysts entertain the possibility that new occupations, such as high-technology manufacturing, may offer the usual career paths. The idea of rigidly polarized jobs sounds ominous, but would it pose the same threat if the low-paying end provided sufficient income to accommodate what we now consider a middle-class lifestyle?

Technology

High technology will undoubtedly create and eliminate jobs. Only five to 10 percent of all jobs in the foreseeable future are expected to be in the production of high-technology devices. Most high-technology jobs will be relatively low-wage/low-skill manufacturing jobs—in using the technology, not producing it.⁶ For companies interested in reducing wage costs and increasing production, technology is an attractive substitute for human labor, especially when it costs less than half the price per hour. Reduction in cost has, in the past, led to increased sales and more jobs in other parts of the economy. Data about attrition rates and the size of the work force between now and the year 2000 indicate that technology will cause only small amounts of displacement. So, the impact of technology on overall employment may not be severe, but the impact on individuals in specific industries and regions may depend on the extent to which workers can be retained, retrained or reemployed.

Reemployment or retraining?

The conditions of displacement vary from case to case depending on the industry, region and characteristics of the workers involved. There are no standard solutions for displaced workers, only a standard need—to regain employment.

Experts agree that retraining midcareer displaced workers would only serve to train unemployed people, unless the effort is targeted specifically to existing job opportunities. New high-technology jobs will be few compared to the number of jobs in traditional fields and may not require higher skills than needed in old jobs. In many cases, the sophistication of the machines with which the employee is paired means the skill level of the job is reduced, as when a robot technician is required only to replace a defective module with a new one, rather than to perform complex repairs. Most displaced people need new jobs, not retraining.

Emphasis on the expansion of training and retraining activities for the employed is considered by many to be an important part of the prevention and cure for displacement. Incremental and formal employer-provided training to update skills, provide career mobility and accom-

modate changes in factory and office processes occurs routinely, and many companies prefer to train "raw" employees for their specific purposes. Employer training patterns help to maintain a supply of employees with the skills needed by business and to provide job opportunities. However, many employers are reluctant to invest in training transferable skills, the benefits of which they may lose.

Lessons from abroad

The U.S. is not alone in adjusting to reemployment problems among displaced workers. Systems developed in Sweden, Canada and France offer models for action in this country.

In Sweden's socialized Active Labor Market, private employment agencies are illegal and it is required by law to list all job vacancies with the public labor market exchange, a computerized nationwide job networking system. Business and organized labor are the controlling members of the Labor Market Board at local and national levels and guide its work.

The well funded Labor Market Board provides training in government centers, on-the-job training within private firms, job search assistance, relocation allowances, wage subsidies, work aids to encourage employment of the handicapped, relief work on public projects and economic development assistance. Training, counseling and job placement assistance are available to anyone who is unemployed or in danger of becoming unemployed.

Services are available without income-eligibility restrictions and are of recognized high quality—65 percent of all job vacancies were listed with the exchange before it became a legal requirement to do so. The government training centers are staffed by well paid craftspersons and educators, offer in-depth courses using up-to-date equipment and attract a mix of trainees.

Two modifications make this system effective for reemploying the displaced. The intake function for reemployment services is established at the plant site so that enrollment for benefits, counseling, testing and job search training can be provided immediately and conveniently. Mandatory advance notification of mass layoffs or plant closings makes it possible to begin the reemployment process before unemployment begins.

The second modification is wage assistance for workers while they seek



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new employment. For example, if a shipyard worker who is not yet laid off needs time during the week to interview for a new job, special government funds pay regular wages for those hours.

The Canadian Manpower Consultative Service (MCS) exists to deliver temporary adjustment assistance to communities in economic crises. When a plant shutdown or mass layoff occurs, the

MCS becomes involved immediately and temporarily—usually for six to 12 months. The MCS mobilizes local employers and unions into a committee and supplies funds for case officers' expenses. All affected workers are contacted, and those who are interested in assistance are interviewed to identify the type of help they need. Most require direct placement assistance, and the

MCS and the local committee play a key role in surfacing jobs that are "hidden" in the labor market.

Advance notice of mass layoffs and plant closings is a legal requirement. Counseling and support are offered at this time when contacting workers is easier than after the layoff. Early intervention is also important in this system because local unions and employers have more interest and more resources at this stage.

The MCS serves disadvantaged and mainstream workers, economically sound and crises communities. This prevents the MCS from being associated exclusively with "unattractive" communities and hard-to-employ workers.

The French national training system is a public-private partnership in which every employer of 10 or more must make an annual contribution of 1.6 percent of the company's total wages to finance training. Contributions can be allocated by financing internal training programs; contributing to an industry-wide training insurance fund; or contributing to programs for unemployed persons in government-approved training centers. If the firm fails to meet its spending obligations, the unspent balance is paid to the government as a payroll tax.

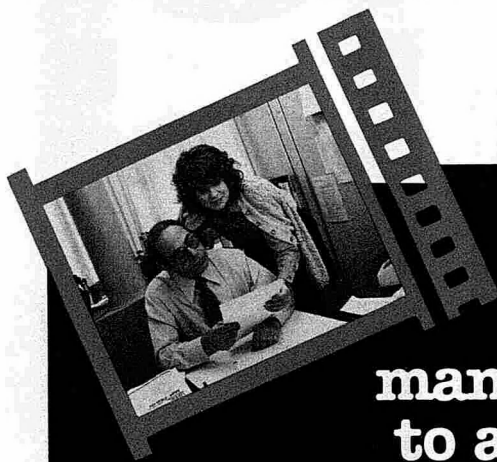
Since employers are obligated to spend at least a minimum on training, they are more willing to train transferable skills, and employees can make decisions to undergo training based on job needs already planned for within the company.

The U.S. response

The new Job Training Partnership Act (JTPA) and an increasing number of local programs are gearing up to meet the reemployment challenge.

Title III of the JTPA is designed to assist displaced workers. The program is administered at the state level and requires coordination with prime sponsors, business-dominated private industry councils (PICs) and affected labor unions. Job search assistance, labor market information, retraining and relocation assistance are intended to aid in the transition from low-demand skills or industries to stable or growing occupations. One quarter of the funds are set aside to provide immediate assistance to areas of chronic high unemployment and to areas with unexpected increases in unemployment following mass layoffs.

Critics cite unclear reporting, evaluation and program quality standards, lack



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of an advanced system for monitoring labor market information and the requirement that candidates for assistance must already be laid off as potential drawbacks of the program.

The matching funds provided by Title III provide companies and unions with a new tool for establishing joint outplacement committees, but the initiative to use it is still theirs.

Reemployment "musts"

William L. Batt, a quality of work life adviser for the Department of Labor's Cooperative Labor-Management Program, believes that a model program for displaced workers must focus on reemployment and include the best features of the Canadian MCS plus the U.S. innovations of self-directed job search and job clubs. He recommends half-day briefings by community agencies that spell out for affected families the resources their towns provide and how to obtain them.

U.S. experience with plant closings has shown that the following are important to a responsible plan.

Advance notice of plant closings lessens traumatic effects on workers, their families and the community and allows time to develop and implement outplacement and job search training programs. Most displaced workers haven't used job-search skills for years, if they ever had them. Gradual phasing out of employees staggers the influx of workers into job markets and reduces community unemployment burdens and competition among job seekers. In the case of two of U.S. Steel's mills, advance notice left time for negotiating contract modifications that kept the plants open.

Job clubs combat isolation and allow workers to practice the skills they learned in job search training. A job club should be in a convenient location and equipped with telephones, desks, industrial directories and want ads from newspapers serving nearby cities and growing labor markets.

Employer contacts with suppliers, customers and the business community in general are a valuable job development resource. State employment services often are deficient in this area because they have other clients to serve, lack contact with employers and may be understaffed.

Skill retraining will only be appropriate

That some displaced workers never regain the wages, benefits and job security of the jobs they lost leads some analysts to believe that a fundamental shift in the overall job structure is underway.

for some displaced workers. Numerous innovative retraining programs are emerging from collective bargaining. The largest is the UAW-Ford Employee Development and Training Program, which provides retraining for active employees and retraining, job search and placement assistance for laid-off employees.

Outside consultants with experience in handling mass layoff situations can be of great help. When a shutdown occurs, it is often a first for the company, the union and the community, and someone who has been through it before will know what needs to be done. Company representatives report that the savings in unemployment insurance taxes and supplementary benefits easily offset the consulting costs.

Industrial development options, though stifled by the recession, can prevent displacement. Batt describes cases where bidding companies who intend to use the site for manufacturing purposes were given the opportunity to match the highest bidding, non-manufacturing competitor. In 1960, when Ford closed its Chester, Pennsylvania plant, the highest bid came from Scott Paper, who wanted to use the plant for warehousing. Reynolds Metals matched Scott's bid and provided another 20 years of manufacturing work in Chester, until they closed in 1982.

The point

Though not a pervasive problem in itself, the displacement fuss has highlighted the need to develop overall employability among the work force in order to capitalize on human resources. For displaced workers, reemployment is the critical first step toward employment security.

Experience has shown that facilitating reemployment must be the mutual charge

of labor, management, education and public services. No one segment of society can be an effective agent for solving complex employment problems. Although the U.S. does not legally require socially responsible corporate behavior, such as advance notice of plant closings, obligatory training expenditures and outplacement programs, experience has also shown that business can be an effective promoter of employability by taking the initiative to coordinate the resources that put displaced people back to work (reemployment efforts) and to develop the resources that keep them there (training and retraining).



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