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# Retraining Displaced Workers

## What Can Developing Countries Learn from OECD Nations?

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**Job retraining programs should be independent of the formal educational system, should be linked to employers (so trainees get marketable skills), should be short-term and job-oriented, and should be institutionalized, not temporary.**

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This paper — a product of the Education and Employment Division, Population and Human Resources Department — is part of a larger effort in the department to improve labor policies for managing the social cost of economic adjustment. Copies of the paper are available free from the World Bank, 1818 H Street NW, Washington DC 20433. Please contact PHREE, room S6-035, extension 33680 (August 1992, 52 pages).

The governments of most industrial countries provide financial support for adult training programs intended to retrain displaced workers. Leigh draws lessons from the experience of six industrial countries (Australia, Britain, Canada, Japan, Sweden, and the United States) on how to design and implement such retraining programs in low-income developing nations and middle-income countries.

By retraining, he means both improving job skills and remediating deficiencies in basic education. These are the lessons he emphasizes:

- Training programs should be independent of the educational system, with its rigid ties to degree requirements and academic schedules.
- Links to employers must be developed and maintained so that trainees have marketable skills on completing the program.

- Training programs should be designed to minimize trainees' forgone earnings; basic education should be relevant to the jobs the trainees might seek.
- External providers of education must be made accountable — but with care; the system of accountability should also ensure that the needs of displaced workers most likely to suffer long-term unemployment are met.
- Not all displaced workers require relatively expensive retraining; some may need only inexpensive job-search assistance services.
- A permanent, institutionalized training system is preferable to short-term intervention.

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## **A. Introduction**

Competing in the global marketplace implies that a national economy will be in a constant state of change with new commodities and technology replacing old commodities and technology. While greatly contributing to economic well-being, this process of change generates each year a large number of business closures and restructuring with permanent layoffs. The resulting unemployed workers are known as displaced workers. To the extent that displacement is concentrated in particular industries, occupations, and geographic areas, as it frequently is, mismatches occur between employment opportunities and unemployed workers. The unfortunate consequence is that displaced workers often experience difficulty in finding employment comparable to the jobs they have lost. Displaced workers are thus typically distinguished from other unemployed workers by the permanence of their job loss. Many observers suggest that in most industrialized countries long-term unemployment measured as a percentage of all unemployment has increased since the oil crisis of 1974-75 (see, for example, Casey and Bruche 1985 and OECD 1988).

Recognizing that some worker displacement is part of the price that must be paid for achieving or maintaining a healthy, competitive economy, the governments of virtually all industrialized nations devote considerable resources to programs that assist displaced workers in adjusting to industrial restructuring. This essay focuses on programs intended to retrain displaced workers, where retraining is defined as both enhancing job skills and remediating deficiencies in basic education. Its objective is to draw lessons from the experience of industrialized countries for the design and implementation of retraining programs in low-income developing nations and middle-income countries including some of those located in the former Soviet Union. The basic theme of the essay is that training programs in industrialized countries are converging toward systems designed to be much more flexible in responding to changes in labor demand and to the needs of displaced workers. At the same time, it is recognized that retraining displaced workers is a relatively expensive policy option that is not always cost-effective. Not all displaced workers need to be retrained, and resources should be carefully targeted to those who can most benefit from retraining services.

The essay is organized in the following way. The first two sections set the stage by first providing in Section B brief characterization of displaced workers in industrialized nations. Section C then discusses some of the major differences in labor market policies and emphasis on adult retraining in six OECD nations. The six nations examined are Australia, Britain, Canada, Japan, Sweden, and the U.S. Sections D and E draw on the experience of these OECD nations to address a number of issues related to the role of retraining services in assisting displaced workers. Discussed in Section D are the questions of who needs retraining and how retraining should be done. Considered are issues involving the structuring of retraining courses, the importance of employer involvement in curriculum design, and performance-based contracting. In Section E, the cost effectiveness of retraining services is considered. The bulk of the evidence presented is for the U.S., since the U.S. devotes far more resources to evaluation research than any other industrialized country. However, some limited evidence is also discussed for programs in Australia, Britain, Canada, and Sweden. Finally, Section F summarizes the experience of OECD nations in meeting the retraining needs of displaced workers in a short list of lessons which might be applied in developing and middle-income countries. Finally, an agenda for future research is laid out in Section G.

### **B. Characterizing Displaced Workers**

While definitions of displaced workers differ across countries, the following characterizations appear in most definitions (i) displaced workers are adults (20 years of age and older); (ii) they possess a stable work history; and (iii) they have permanently lost their jobs, typically because their plant or company closed down or moved. National surveys of displaced workers carried out during the 1980s in the U.S. and Canada allow for the two countries a good fix on the characteristics of the displaced. Using a definition that encompasses the three points just listed, displaced workers in the U.S. are found to be mainly men between the ages of 25 and 54 who lost blue-collar jobs in manufacturing, especially in the durable goods manufacturing sector. However, the third of the three U.S. surveys indicates that by 1988 the proportion of workers displaced from nonmanufacturing, other than blue-collar

jobs had increased substantially. The Canadian survey of 1986 also shows that displaced workers are predominantly males in the 25 to 54 age bracket but with the pre-layoff employer being less likely to be in the manufacturing sector than in the U.S.

Information available for other OECD countries is limited to data for job losers, a category of the unemployed which includes displaced workers but is not limited to just the displaced. In the early 1980s, unemployed job losers were for the most part men between the ages of 25-44 who lost jobs in the manufacturing sector. As the decade wore on, however, worker displacement tended to spread across all industries and occupations.

For the U.S. and Canada, Table 1 summarizes the cost of displacement to individual workers. The growth in job opportunities in the U.S. during the 1980s helps to explain the increase in the observed employment rate from 60% to 71% between the 1984 and 1988 surveys. Nevertheless, there was little change over the decade in the nearly half of reemployed workers who found new jobs only by being willing to accept a lower wage. Compared to the adjustment costs incurred by American displaced workers, reemployed Canadian workers appear to have experienced a somewhat longer period of joblessness and a higher proportion of workers earning a lower wage in their new jobs.

The OECD (1990:61) observes that the groups of workers for whom the probability of displacement is highest are not necessarily those that bear the highest costs of displacement. Drawing on the U.S. and Canadian national surveys, a number of characteristics can be identified that are associated with increased costs of adjustment measured in terms of length of joblessness and loss in wages upon reemployment. These characteristics include membership in an ethnic minority, being over age 55, not possessing an academic diploma or vocational skills, and living in an area of high unemployment. Among workers in these high-risk groups, the unskilled, women, older workers, and those with little formal education are more likely to become long-term unemployed; while workers with skills and long service in their previous jobs are more likely to suffer a reduction in pay. Follow-up surveys of workers displaced from their jobs with selected companies in France, Italy, and Sweden provide evidence supporting these findings. These follow-up surveys suggest that the best educated and

most skilled workers had the least difficulty finding new jobs, although typically in a new occupation and at a lower rate of pay. Older workers, women, and those with fewer skills and less formal education had the greatest difficulty in locating new jobs (OECD 1990:63-64).

**Table 1**  
**Post-Displacement Labor Market Adjustment of Displaced  
 Workers, the U.S. and Canada**

Adjustment experience	U.S.			Canada
	Jan. 1984	Jan. 1986	Jan. 1988	Jan. 1986
<b>Labor force status</b>				
Employed	60%	67%	71%	63%
Unemployed	26	18	14	20
Not in labor force	14	15	15	17
<b>Weeks without work:</b>				
< 5	30%	34%	—	63%
5 to 26	37	35	—	
27 to 52	20	18	—	25
> 25	13	13	—	12
Wage in new job lower than previous wage <sup>a</sup>	46%	44%	44%	56%

**Source:** OECD (1990: Table 2.9)

<sup>a</sup>For those reemployed.

### **C. An Overview of Displaced Worker Programs in Industrialized Countries**

In view of the substantial adjustment costs illustrated in Table 1, many industrialized nations have singled out displaced workers for special programs beyond the services furnished to all unemployed workers. The principal argument for targeted displaced worker programs is that while the benefits from increased international competition and technological progress are broadly diffused across

the economy, the costs are narrowly concentrated on those workers directly affected by layoffs. Displaced worker programs may therefore be viewed as a form of compensation which reduces worker resistance to industrial restructuring.

Labor market programs available in OECD nations can be broadly grouped into categories of passive and active measures. Passive programs provide income support to prevent displaced workers and their families from slipping into poverty (the "social safety net"). Included among passive programs are unemployment compensation, pensions and early retirement benefits, continuation of health insurance, and welfare benefits. Active labor market programs, in contrast, are intended to shorten the duration of unemployment spells and to improve long-run earnings potential. A common way to categorize active programs is to break them down into (i) employment services including job search assistance and job placement, (ii) retraining initiatives, and (iii) direct job creation and employment subsidies.

Table 2 displays for Australia, Canada, Japan, Sweden, the U.K., the U.S. government expenditures in 1988 on active and passive labor market programs expressed as a percentage of Gross Domestic Product (GDP). Also shown are national unemployment rates. A brief discussion of variation by country in the level and mix of these programs helps to highlight differences in the labor market policies of these nations and in the emphasis placed on adult retraining.

### **Sweden**

Along with the lowest unemployment rate appearing in Table 2, Sweden leads all six countries in the percentage of GDP devoted to labor market programs; and it is the only country for which expenditures on active programs exceed spending on passive programs. Indeed, the table shows that the ratio of active to passive expenditures exceeds 21. It is also noteworthy that at 0.51%, Sweden's expenditure ratio on adult training programs is much higher than that of any other country shown.



**Table 2****Public Expenditures on Active and Passive Labor Market Programs  
In Selected OECD Countries, as a Percentage of GDP, 1988**

Country	Active				Total	Passive	Unemploy. rate
	Employ. services	Adult training	Job creation/ employ. subsidies	Other <sup>a</sup>			
Australia	0.10	0.05	0.06	0.09	0.30	1.03	7.2
Canada	0.20	0.20	0.02	0.10	0.52	1.59	7.7
Japan	0.03	0.03	0.13	0.01	0.20	0.39	2.5
Sweden	0.20	0.51	0.20	0.88	1.79	0.80	1.6
U.K.	0.14	0.14	0.20	0.28	0.77	1.74	9.0
U.S.	0.06	0.11	0.01	0.06	0.25	0.44	5.4

Source: Public expenditures on labor market programs: OECD Employment Outlook, July 1989, Table A.1. Unemployment rates: OECD Employment Outlook, June 1989, Table R17.

<sup>a</sup>Includes special youth measures and programs for the disabled.

The Swedish emphasis on active labor market programs dates back to 1951 when a group of union leaders and government officials hammered out the "Rehn-Meidner" policy model (see Rehn 1985). The key elements of the model are the following

1. Maintenance of a level of aggregate demand necessary to avoid inflation.
2. Implementation of a "wage solidarity" policy requiring wage equalization across industries and regions.
3. Protection of workers from the unemployment that would otherwise result from limited aggregate demand management (point 1) and rigid wages (point 2) by active labor market programs which facilitate the movement of workers between industries and regions.

Thus, the government's policy is to encourage workers to accept structural change by providing not job-specific security, but employment security in the sense that once laid off a worker can expect to be assisted in finding a new job in a growing sector of the economy.

At the core of the Swedish approach is a stable national institutional structure for addressing employment and training issues. The National Labor Market Board is responsible for carrying out national labor market policy and for operating a network of Employment Service offices. In 1986, a parallel institution, the National Employment Training Board, took over responsibility for operating Sweden's nationwide system of skill training centers. Rollen (1988) estimates that about two percent of the labor force is retrained annually at a skill training centre, and that since the mid-1950s more than half of the total workforce has been retrained.

Within this institutional framework, Sweden's active labor market policy can be broken down into a sequence of four distinct programs. Initially, each unemployed job seeker passes through a series of placement and counselling services furnished by a local Employment Service office. Those who remain jobless are then placed in a skill centre where they are retrained so that they are qualified to compete for jobs in growing industries. At the end of six months, workers who have still not been placed in a job are eligible for a wage subsidy lasting six months and paid directly to employers. If all

three of these measures fail, a final program provides government sector employment for up to six months.

### **Japan**

Japan's employment laws and practices, like Sweden's, are aimed at preventing unemployment; and Table 2 indicates that at 2.5% the unemployment rate in Japan exceeds only that of Sweden. Unlike Sweden, which relies primarily on government labor market policy, the Japanese model is based on the philosophy that private sector employers should bear the major responsibility for maintaining a low level of unemployment. Consistent with this philosophy, the table indicates that Japan spends relatively little in public funds on both active and passive labor market programs and virtually nothing on adult training.

Bednarzik and Shiells (1989) point out that Japanese companies are unique in their willingness and capacity to carry out extensive reallocation of redundant workers to different operations within the firm, to subsidiaries, or even to different firms. Workers are regularly informed regarding the need for employment reductions. It should be made clear, however, that this description applies to employees of large firms in export-oriented industries (i.e., so-called "regular" workers). Nonregular workers and workers employed by small and medium sized firms are more subject to layoffs during an economic downturn. To assist in the transition of redundant workers to jobs in growing industries, the government reimburses employers for most of the expenses incurred for retraining and relocating regular employees and for up to 50% of the severance payments paid to nonregular workers (Trebilcock 1986: 228).

### **Britain**

Britain has the highest unemployment rate of the nations appearing in Table 2, and total expenditures on active and passive labor market programs are nearly the same in the U.K. as in Sweden. However, the mix of active and passive programs is very different between the two countries, with British

passive program expenditures exceeding active program expenditures by more than two to one. Within active program categories, moreover, expenditures on job creation/employment subsidies exceed those on adult retraining, whereas the just the opposite is true for Sweden.

In contrast to both Sweden and Japan, British labor market policy has tended over time to retard rather than to assist the transition of displaced workers to jobs in growing industries. Rather than providing adjustment assistance to the displaced, that is, Britain's labor market policy emphasized unconditional income-maintenance schemes and temporary employment subsidies to distressed industries and regions. Trebilcock (1986:199) notes that the government's inability to withstand pressure for assistance from declining industries when industry employment is involved is closely tied to the nationalization of British firms.

The year 1988, however, appears to mark an important transition in British labor market policy. In that year, a government white paper outlined a strategy for increasing access to training for both employed and unemployed workers. At the same time, the strategy calls for decentralizing the national training system to make it more responsive to the needs of employers at the local labor market level (Department of Employment 1988).

One other point worth noting in Table 2 is the relatively high expenditure ratio for the U.K. in the "other" column. This largely represents substantial British expenditures on youth employment programs. The even larger ratio observed for Sweden represents the combined expenditures on sizable programs for youth and the handicapped.

#### **North America and Australia**

Compared to Western European and Japanese employers, custom and national labor market policy make it much more likely that employers in Canada, the U.S., and Australia will respond to demand shocks by laying off workers rather than by adjusting compensation or hours of work. The high unemployment rates that result are met, as is the case for the U.K., with relatively large expenditures on unemployment compensation. But while the British government pursued policies to maintain

employment in depressed industries, workers in Canada, the U.S., and Australia are typically expected to prepare for and locate jobs in growing industries by themselves with relatively little government assistance. Indeed, the U.S. is seen to vie with Japan in terms of the lowest expenditure ratios shown in the table for both active and passive policies.

Among the three countries, Canada has been the most aggressive in assisting displaced workers to relocate out of declining industries by providing programs that increase access to retraining supplied through its extensive educational infrastructure. National labor market policy in Australia and the U.S. has tended to be more ad hoc and narrowly focused. In particular, both nations have emphasized special income-maintenance programs to workers displaced by trade liberalization policies. Effective July 1991, however, Australia implemented a fundamental reform of its unemployment insurance program by tying receipt of benefits to active involvement in self-help programs including retraining. In the U.S., individual states took the lead from the federal government during the 1980s in developing active labor market programs to assist the displaced (see Leigh 1989).

#### **D. Retraining Displaced Workers: Who Needs It and How Should it be Done?**

Since the displaced are usually defined as unemployed workers who are unlikely to be recalled to their old jobs or even to jobs in their old industries, many displaced workers require retraining to make the transition to jobs in growing industries. In providing retraining services, a first issue to address is whether and how to go about distinguishing displaced workers from other unemployed workers. Bjorklund (1990) points out that the only eligibility criterion for Swedish labor market programs is being unemployed or at risk of becoming unemployed. Thus, displaced workers, the economically disadvantaged, and cyclically unemployed workers are all eligible for the same labor market assistance, along with employed workers desiring to upgrade their skills. This unrestricted approach to providing program services helps account for the high levels of Swedish expenditures on active labor market programs and adult retraining documented in Table 2.

A more common approach is to attempt to distinguish the displaced from other unemployed workers, preferably early in their unemployment spells, so that "unneeded" services are not supplied to workers reasonably anticipating recall or otherwise expected to have little difficulty in locating new employment. Because displaced workers are often identified as workers permanently laid off due to a mass layoff or plant closure, a reasonable approach is to concentrate adjustment services, often delivered on-site, on workers laid off or about to be laid off from their jobs. Implementing this approach requires that program officials first be aware of the imminence of a mass layoff or plant closure, and nearly all OECD nations have legislation requiring advance notification of a plant closing or large-scale layoff (see Ehrenberg and Jakubson 1988:Ch. 1).

There are, however, at least two problems with targeting adjustment assistance services on-site only to workers directly affected by a mass layoff or plant closure. One is that this approach overlooks workers who are laid off by employers too small to be covered by advance notice requirements and rapid response team programs. The second problem is that it neglects the needs of workers who lose their jobs because of a ripple effect leading suppliers to closed plants and local retail and service establishments to lay off employees. But if a less restrictive approach is adopted, policymakers still face the difficult problem of identifying those workers at risk of becoming long-term unemployed early in their unemployment spell.

#### **"Screening" the Displaced from other Unemployed Workers**

In the U.S., one of the two primary objectives of the New Jersey Unemployment Insurance (UI) Reemployment Demonstration project is to assess the feasibility of an "early intervention" strategy in providing services to unemployed workers.<sup>1</sup> At issue is whether it is possible to use the UI system to identify early in the claim period unemployed workers who are likely to face prolonged spells of unemployment and exhaust UI benefits. Note that no distinction is made between workers directly affected by a mass layoff or plant closure and workers who lost their jobs because of the ripple effect of the layoff or closure or because they were laid off by a small employer.

New Jersey program designers distinguished the displaced from other unemployed workers by applying five "screens" during the fourth week of claiming benefits. Taken together, the cumulative effect of these screens is to define the displaced as UI claimants 25 years of age and older who had at least three years of tenure with their pre-layoff employer and who could not provide a specific date at which they expected to be recalled. In the evaluation carried out by Mathematica Policy Research, Corson and others (1989) conclude that the five screens do satisfactorily identify claimants who, in the absence of additional employment services, would be likely to experience difficulty in finding new employment. Sizable proportions of the eligible population were older, previously employed in manufacturing, and displaced from their jobs by a plant closure or the elimination of a shift. Moreover, the eligible population includes a substantial proportion of black and Hispanic workers. Compared to the ineligible population, in addition, the eligible population experienced longer UI durations and a higher UI exhaustion rate.

The screening procedure, however, is far from perfect. Claimants determined to be eligible by the screens include individuals in the prime of their working lives and workers from industries, like the service industry, that were strong and growing in New Jersey. Moreover, 35% of the ineligible population exhausted UI benefits (as compared to 45% of eligibles), and 20% of the eligible population were recalled to their former employers.

### **Basic Education Programs**

The discussion in Section B leaves little doubt that the unemployed who bear the highest costs of displacement include those with little formal education and vocational skills. Such workers are likely to have a deficiency in basic written communication and mathematics skills severe enough to retard their employment prospects or even their chances for benefitting from job skills training. Thus, a lack of basic skills would seem to be a readily measurable screen to use in identifying displaced workers with substantial need for adjustment assistance services.

It is interesting to note, nevertheless, that basic education is not generally included in the mix of services offered displaced workers. An exception to this statement is Sweden, which makes basic education part of its comprehensive adult training program. Another exception is Canada, and one of the few basic education programs for which evaluation evidence is available is the Canadian Basic Training for Skill Development (BTSD) program. Fortunately, the limited evidence available for the BTSD program can be buttressed with evaluation results recently gathered from an experimental welfare-to-work program in the U.S.

The Canadian BTSD program. Created in 1982, the Canadian National Institutional Training Program (NITP) established seven component programs which provided funding for classroom training purchased from public and private vocational centers, technical institutes, and community colleges.<sup>2</sup> Among the seven programs, the report by Robinson and others (1985) provides an evaluation of the Skill Training and BTSD programs. Skill Training courses were designed either to provide entry-level skills in a particular occupation or to update occupation-specific skills. In contrast, BTSD courses were intended to improve basic skills in mathematics and communications so that participants could meet the academic requirements for entry into Skill Training or proceed on to employment.

The NITP evaluation compares labor market outcomes for samples of program participants who finished training courses in 1983-84 with the outcomes observed for a matched comparison sample of nonparticipants. About 30% of Skill Training participants were women, while nearly half of BTSD trainees were female. For both programs, more than three-quarters of all trainees were unemployed prior to training, and most trainees were in the 20-44 age bracket.

Results for skill training may be characterized as, at best, mixed; while distinctly negative results were obtained for basic education. In particular, the regression analysis suggests that BTSD training significantly decreased weekly and annual earnings, as well as both of the employment measures examined. Two caveats, however, should be noted. First, wages and annual earnings of nonparticipants are on average much higher those of BTSD trainees. Despite the attempt to match members of the comparison group to sample members, it appears that the small comparison group contains relatively



few individuals with characteristics like those of BTSD trainees. Second, interpretation of the empirical results is clouded by the fact that the BTSD program was not necessarily intended to prepare workers for immediate employment.

The Minority Female Single Parent demonstrations. Substantially more information can be gained from a series of demonstration projects developed to test the effectiveness of welfare employment programs for U.S. welfare recipients. Welfare recipients are typically women possessing low levels of formal education. Especially useful is the evaluation of four comprehensive welfare employment programs targeted to low-income minority single mothers. Located in Atlanta, Providence, San Jose, and Washington, D.C. and carried out between 1982 and 1988, the Minority Female Single Parent (MFSP) demonstration projects offered a range of services including assessment, counseling, remedial education, job skills training, child care assistance, and job placement. The purpose of these services was to assist members of the target population to overcome the many barriers to moving off welfare. Program applicants were assigned randomly either to a treatment group or to a control group not eligible for services.

Of the four MFSP program sites, the Center for Employment Training (CET) project in San Jose is unique in adopting an "integrated" program model. Integrated means that basic education is intertwined with skill training to prepare trainees for specific jobs available in the local labor market. That is, reading and math skills are taught not just concurrently with vocational training, but as they are directly relevant to the job skills being learned. In addition, a much higher percentage of CET enrollees (94.3%) received training in a specific job skill than was the case at the other three sites (see Burghardt and Gordon 1990:Appendix table 1). To ensure that jobs are available for trained workers, CET staff members actively involve employers in curriculum development through an industrial advisory board and take care to market the program, as well as individual program graduates, to local employers.

In the CET approach, applicants are moved quickly into training where they are allowed to progress at their own pace. There is no requirement that an academic standard be met before participants are permitted to pass from basic education to job skills training. The other three MFSP

projects, in contrast, followed either of two more traditional approaches. The programs in Atlanta and Providence used a "sequential approach" in which women with poor basic skills were enrolled initially in remedial courses and only later placed in job skills training after they attained academic prerequisites. The Washington, D.C. project emphasized a "general employability" model that included instruction on motivation, basic reading and math, and job search skills. A course for better-prepared trainees taught basic concepts of electricity, mechanics, and tools as preparation for further training or employment in nontraditional jobs.

Table 3 summarizes the labor market impacts of the MFSP projects measured at the end of the first year after enrollment. At all four projects, including the CET project, treatment group members sacrificed earnings in the early part of the year to participate in the program. By the fourth quarter after program enrollment, however, only the CET treatment group experienced substantial labor market gains. These include a 27% increase in employment and a 47% increase in earnings per month measured relative to control group means. The other three MFSP projects failed to exhibit statistically significant gains in either employment or earnings. Indeed, Burghardt and Gordon (1990:17) note that many participants in basic education in the Atlanta and Providence projects left the program without ever making it into skill training. Cost per treatment group member in the CET project is \$3,600, which is about in the middle of the range from the \$2,700 to \$4,800 spent per treatment group member across all of the MFSP projects.

### **How Should Training Be Done?**

A logical place to begin a discussion of how to retrain displaced workers is with Sweden--the OECD nation with the largest and best-known national training system. The National Employment Training Board (AMU) consists of a central board and 25 regional boards, where both boards are made up of members from labor, management, and the government. The regional boards supervise the operation of 100 government training centers located throughout the country. The tripartite character of

the boards is intended to encourage the participation of employers and union officials in curriculum development and in monitoring program quality.

**Table 3**  
**Short-Term Impacts on Employment and Earnings Outcomes  
of the MFSP Demonstration Projects<sup>a</sup>**

Selected outcomes	Atlanta	San Jose	Providence	Washington
Ave. monthly employment rate	-0.7%	9.9%*	0.1%	-0.9%
Ave. monthly earnings	-\$1	\$133**	\$8	-\$18
Ave. monthly welfare benefit	-\$2	-\$15	\$14	\$29**

Source: Burghardt and Gordon (1990: Appendix Table 2).

<sup>a</sup>Estimates are for the fourth quarter after sample enrollment and are regression adjusted for each site to control for baseline characteristics and quarter of program enrollment.

\*\* and \* signify statistically significant at the 1% and 5% levels, respectively.

The AMU offers about 450 curricula available in all 100 skill centers, and each of the 25 regions may further develop additional curricula of its own. The bulk of the training courses are vocationally oriented, but there are also basic education courses in Swedish, mathematics, and English. (Displaced workers in Sweden are frequently immigrants.) Since the training centers are independent of the regular school system, there is no need for fixed entrance dates in September and January and for courses of fixed lengths measured in terms of semesters or quarters. Rather, there is open entry and exit into AMU courses, and trainees receive individual study plans and work to a substantial extent with self-instructing materials. In addition, the skill centers are staffed by well-paid, experienced instructors who provide in-depth instruction utilizing modern equipment and state-of-the-art technology. It should

also be noted that training courses are free, and trainees receive training allowances ranging in 1990 from SEK 297 to SEK 495 per day. This compares with average daily earnings of about SEK 590 for industrial workers in 1989.

Referring specifically to job skills training taught in a classroom setting, one of the most difficult tasks in the retraining process is to project accurately the occupational demand for labor so that curricula can be designed which will qualify trainees for available jobs when they graduate. Swedish employers are required by law to list job vacancies with the system of public Employment Service offices. Such comprehensive job vacancy information obviously gives AMU officials a leg up in offering training curricula that will supply trainees with marketable skills. Even so, Berit Rollen, the AMU's Director General, describes how the central training organization was reorganized in 1986 to decentralize decisionmaking and increase responsiveness to changes in market demand (see Rollen 1988). Rather than receiving funding directly from the central government, the AMU sells training services to any customer willing to buy. The AMU's primary customer is the Employment Service. However, local employment exchange offices may purchase training from other training providers including the regular school system, universities, and private companies. For its part, the AMU may also sell training services to private sector employers. When training services are sold to a private company, the training can be tailored to the needs of that firm and delivered on-site. Rollen notes that during the July 1986 to June 1987 fiscal year, 95% of the AMU's budget was supplied by the Employment Service, with the remaining 5% supplied by private firms.

The one criticism that has been levied against the Swedish training system is that unemployed workers who are not immediately employable are, in some cases, placed in a training program regardless of whether the new skills will significantly improve their labor market opportunities (see Bendick 1984 194).<sup>3</sup> To the extent this occurs, jobless individuals are "warehoused" in the training system keeping them from showing up in the official unemployment rate.

## **Employer Involvement**

Training program officials in most countries will not possess the kind of comprehensive job vacancy information available in Sweden. In the U.S., for example, the Office of Technology Assessment (1986:210) notes that in many states good information about current openings in local labor markets is unavailable. Consequently, there appears to be no substitute for the active involvement of employers in the development of training curricula.

Making policy. The 1986 decentralization of decisionmaking in Sweden was preceded in the U.S. with the passage of the Job Training Partnership Act (JTPA) in 1982. JTPA makes the direction of retraining programs the responsibility of state governors, who then delegate decisions on program eligibility and service mix to local program administrators. At the local level, the business community, in the form of Private Industry Councils (PICs), is given an important policymaking role. Local plans for training programs have to be jointly approved by PIC members and local elected officials, with disputes resolved by the governor (Levitan and Gallo 1988 12).<sup>4</sup>

In 1988, the British government presented to Parliament a white paper outlining what it termed a radical reform of the nation's training system for the 1990s (Department of Employment 1988). Going back to the early 1960s, the retraining of redundant workers in a particular British industry was made the responsibility of employers in that industry through the formation of Industrial Training Boards (ITBs). Each ITB was empowered to impose a payroll tax on employers in its industry to fund industry-specific retraining programs, with additional funding from the national government.

The 1988 reform makes training locally-based rather than industry-based. Following the JTPA model but going beyond it in terms of policymaking authority, the key element in this reform is the establishment of a national network of Training and Enterprise Councils (TECs) to plan and deliver training services and promote small business development at the local level. The philosophy underlying the TEC network is that locally-based training programs are more likely to be closely attuned to shifting patterns of labor demand, especially of new businesses, than are more inflexible arrangements at the industry level (Department of Employment 1988:29, 39).

A TEC is created when a local group of employers enters into a contract with the national Department of Employment. The Department of Employment provides funding, while each TEC is to (i) assess skill needs within the local labor market, (ii) develop a plan to secure quality training tailored to satisfy these local needs, and (iii) contract for training programs. Actual training programs are typically provided by local training institutions serving as TEC subcontractors. TECs are given wide-ranging responsibilities for operating programs providing training for out-of-school youth and unemployed adults, temporary employment for unemployed adults, and assistance to unemployed adults seeking to become self-employed. The creation of approximately 100 TECs is envisioned in the white paper. As of 1991, there are a total of 82 TECs in England and Wales.

Initiating retraining projects. The Swedish approach to delivering training services meets a market test in the sense that programs not demanded by the Employment Service or private sector employers at prices set by the AMU will not be sold. An alternative approach providing an even more direct response to market demand is to allow an employer to initiate the retraining project, the cost of which is subsidized either fully or in part by the government, with the understanding that trained workers will be hired or retained by the firm. A program that followed this approach is the Canadian Job Development program which was the largest of the six component programs of the Canadian Jobs Strategy (CJS) established in 1985. In the Job Development program, employers who agreed to develop job slots for the long-term unemployed were eligible to receive either a wage subsidy of up to 60% of wages paid to cover on-the-job training (OJT) expenses or a payment of up to \$8 per participant training hour for the direct costs of classroom training provided either on-site or off-site at a community college or other recognized training institution.<sup>5</sup>

In the U.S., a state retraining program that takes this alternative approach is the California Employment Training Panel (ETP). Begun in 1983, ETP receives state funding to retrain current UI recipients, recent UI exhaustees, and workers currently employed (and covered by the UI system) but in danger of being laid off. Individual training projects eligible for ETP funding must provide at least 100 hours of instruction consisting of either classroom training or OJT. Projects may last as long as two

years. ETP is designed to reduce the cost of UI by speeding the reemployment of the unemployed and preventing the unemployment of the employed. Of equal importance, however, is the program's objective of fostering economic development by helping to provide California employers with a skilled workforce.

The Panel deals with the question of what to train workers to do by making the program almost entirely employer-driven. Employers initiate the process by proposing individual projects to the Panel. If a project is approved and a contract negotiated, the employer selects trainees according to its own specification, sets standards for successful program completion, and approves the training curriculum if an outside training provider is utilized. The Panel reimburses employers or other training providers on a fixed-fee basis for the training costs incurred. In return for the training subsidy and the discretion given them in all aspects of the retraining process, participating employers must make a good-faith commitment to hire or retain program graduates.

Two of the principal concerns raised about the ETP's approach to retraining relate to the selection of participants and the use of public funds to subsidize training costs employers might otherwise have borne. Allowing employers to select program participants clearly leads to "creaming;" that is, the problem that displaced workers most likely to be selected for retraining are those least in need of skill enhancement. Moreover, ETP appeared during the mid-1980s to be subsidizing the training by firms of their current workforces, as opposed to supplying training to unemployed workers. A consequence of the increased retraining of the employed is that ETP may be substituting public funds for the training investments employers would have made themselves in the program's absence. This would imply that there is no net increase in the delivery of training services to workers threatened with displacement.

Beginning in 1987, an excess demand for available funds led to the Panel to impose priorities on its basic operating philosophy of responding to the market demand for training. These priorities at least partially respond to the two concerns just expressed. As of 1990, the first priority for ETP funding is proposals for training newly hired workers and workers who have received an actual notification of layoff. Next are proposals submitted by small businesses defined as enterprises with up to 250 employees. Third on the priority list are proposals to provide retraining for workers whose jobs are

threatened by increased competition from outside the state, followed by all other proposals (see Employment Training Panel 1990).

Directly providing training. Still another approach to actively involving employers in the retraining process is through wage subsidy policies intended to encourage employers to hire targeted workers and provide necessary training themselves. A detailed treatment of this approach is beyond the scope of this essay. In discussing how training services should be provided, however, it is useful to briefly examine enterprise training in Japan, and how it is encouraged by the government.

As described by Dore, Bounine-Cabale, and Tapiola (1989:50-54), the Japanese educational system successfully retains well over 90% of the population until age 18 and produces graduates who possess a high level of math and communications skills. Building on this base of well-developed general training, employers hire young workers on the assumption that job specific skills will be learned in the workplace. It is important to emphasize, moreover, that learning is not presumed to end once a worker has achieved competency in a particular job. Rather, workers continue to learn in the sense that they are expected to acquire the skills needed to do a variety of jobs. In many firms, the work force is divided into teams (e.g., quality circles); and employers formulate training procedures and job rotation schemes which enable workers to get to know the jobs of other team members. Workers are then evaluated on their competency in performing each of the job functions within their team. Since workers are frequently called upon to be teachers as well as learners, part of their evaluation is based on whether he or she understands each job well enough to teach others and supervise their work.

It is the flexibility of workers that underlies the Japanese model sketched in Section C. That is, workers made redundant by a demand shock are not typically laid off from their jobs. Rather, a slot is found for them within the firm, in a subsidiary, or even in a different firm. As noted earlier, nonregular workers and workers employed by small and medium sized firms are more subject to layoffs during a downturn in demand. For these workers, the government provides wage and training cost subsidies directly to employers. Under the terms of the 1983 "Special Measures Law for Employment Security for Workers in Specified Depressed Industries and Areas," employers eligible for government



subsidies include those forced to reduce their scale of operations, those that recruit workers from structurally depressed industries, and those that offer training to workers who have permanently lost their jobs.

### **Performance-Based Contracting**

While Sweden provides adult training programs to displaced workers through government skill centers, most other OECD nations provide programs that allow training services to be purchased from the existing training infrastructure. An issue that arises in the implementation of these programs is how to encourage training institutions to adopt to the special needs of displaced workers while supplying training that leads to job placements.

The approach most often taken in the U.S. to dealing with this issue is performance-based contracting.<sup>9</sup> Indeed, performance standards are a statutory requirement for JTPA-funded displaced worker programs. The Office of Technology Assessment (1986:253) describes how once program staff, in conjunction with local PIC members, have decided on an initial choice of courses, a training contract is put out for bids. The performance standards written into a typical contract require that for the training institution to receive final payment, 75% of graduates must be placed in full-time jobs, with all but 10% of the jobs being training related; trainees must be retained on the job for at least 30 days; and the starting wage must not fall below a designated minimum (\$4 to \$5 per hour in 1986).

Even more stringent performance standards are applied in California's ETP program. The negotiated payment for each worker is withheld until trainees have completed their training programs, are placed in training-related jobs, and are retained in those jobs for at least 90 days. Moreover, the jobs for which workers are trained must be good jobs in the sense that they offer long-term employment security and career potential and provide wages that are customary for the occupation and industry in the local labor market in which employment is to occur. As of January 1991, new hires must receive a wage of at least \$6.73 per hour and existing employee retrainees must receive at least \$7.95 per hour after completion of the employee retention period, usually 90 days.

Performance-based contracting has two desirable incentive effects for training institutions. First, there is an increased incentive to make sure that the skills taught are in demand in local labor markets allowing program graduates to be placed. This requires that training providers maintain close contact with local employers so that they can quickly add and drop course curricula when the need arises. Second, since program providers are paid only when graduates are placed in jobs, providers have an incentive to carefully match trainees with training curricula they can reasonably be expected to master successfully. As already discussed, a significant fraction of displaced workers are likely to lack basic math and communications skills. At the same time, these same individuals will be resistant to enrolling in classroom programs which emphasize basic education. Training providers must thus confront the problem of creatively combining necessary basic education with the job skills training needed for workers to be competitive in the labor market. The San Jose CET program model integrating basic education with skill training appears to be a fruitful approach to dealing with this problem.

The downside of performance-based contracting is discussed by Levitan and Gallo (1988: Ch. 4) in the context of the JTPA program and more generally by LaLonde (1992). The fundamental problem is that meeting performance standards becomes the program's objective from program administrators' point of view since programs that exceed the standard are likely to receive continued funding, whereas those that fall short are likely to be cut back or eliminated. Program administrators are thus given a strong incentive to cream in the applicant selection process. The result is a misallocation of training resources in the sense that applicants who are already "job-ready" receive services which are of little value to them while those who would benefit most from training may not be admitted into the program. Performance standards are thus likely to have little relation to program performance as measured by the net impact estimates discussed in the next section.

### **Training Allowances**

As is the case in Sweden, displaced workers referred to an institutional training program in Australia, Canada, the U.K., and the U.S. typically qualify for an income-maintenance allowance while

they are undergoing retraining. Such assistance is likely to be critical for displaced workers with family responsibilities to afford retraining. While income support has for some time been paid to displaced Australian workers enrolled in training programs, the government implemented effective July 1, 1991 a fundamental reform of its unemployment benefit program to make income maintenance more directly related to self-help. Termed Newstart, this program is a response to a growing number of long-term unemployed Australian workers.

Instead of providing unemployed workers with a fixed number of weeks of income support and leaving it up to them to conduct their own job search, Newstart is designed to diagnose why the unemployed are having difficulty in locating new jobs and then to deal actively with their needs through retraining and other forms of assistance. Newstart creates two new payment schemes--the Job Search Allowance and the Newstart Allowance. People who have been out of work for less than 12 months and all unemployed persons under age 18 are eligible for the Job Search Allowance. Those still unemployed after 12 months are eligible for the Newstart Allowance.

A key element of the Newstart program is its self-help requirement. As a condition of receiving income-maintenance support, that is, the unemployed must be willing to help themselves by taking advantage of available adjustment assistance programs including job search assistance, classroom training, employer wage subsidies, and community work experience (see Commonwealth of Australia 1991). The focus of the Job Search Allowance is on preventing long-term unemployment. To this end, the Commonwealth Employment Service (CES) provides counseling within the first three months of claiming benefits. If the CES determines that vocational training is needed to improve labor market prospects, Job Search Allowance participants receive their job search payment plus a training allowance.

To tailor assistance more closely to the needs of the long-term unemployed, receipt of the Newstart Allowance is conditional on the signing of an Activity Agreement by the program participant and the CES. This agreement spells out the steps that must be taken to increase the participant's employability. Recipients of either the Job Search Allowance or the Newstart Allowance who

unreasonably refuse offers of assistance or make insufficient effort themselves will have their income support payments suspended for a period or canceled.

### **E. Evaluation Studies of Retraining Programs**

Despite the ambitious active labor market policies of Sweden and other Western European nations, most available evaluation studies examine displaced worker programs in the U.S. and, to a lesser extent, in Canada. Haveman and Saks (1985) comment on this phenomenon suggesting that the stable training systems in place in Europe provide constant feedback on program effectiveness from employers and workers. In contrast, the narrowly focused and less stable training programs in the U.S. generally fail to provide detailed feedback to program managers, necessitating more formal statistical analyses of program effects. Canada, like the U.S., requires the formal evaluation of social programs (see Riddell 1991). One difference between the two nations is the absence of demonstration projects in Canada.

This section begins with a discussion of evaluation evidence yielded by four major U.S. demonstration projects carried out during the 1980s. Then considered are available evaluation studies for Canada and other OECD nations examined in this essay.

#### **U.S. Demonstration Projects**

Table 4 furnishes an overview of some of the pertinent features of the four demonstration projects.<sup>7</sup> One common element is the type of reemployment services provided. As the table indicates, the demonstrations supplied a mix of services including job search assistance (JSA), classroom training (CT), and OJT. JSA services include initial orientation and assessment sessions, a job search workshop, and job development and referral services. The New Jersey UI Demonstration added to this mix a cash bonus for early reemployment.

**Table 4****Characteristics of Major U.S. Displaced Worker Demonstration Projects**

<b>Project</b>	<b>Time Period</b>	<b>Method for distinguishing the displaced.</b>	<b>Worker characteristics</b>	<b>Reemployment services delivered</b>
<b>Downriver</b>	<b>July 1980-Sept. 1981 and Nov. 1981-Sept. 1983</b>	<b>Workers laid off from particular auto and auto parts plants</b>	<b>Experienced male production workers earning high pre-layoff wages</b>	<b>JSA followed, where necessary, by CT</b>
<b>Buffalo</b>	<b>Oct. 1982-Sept. 1983</b>	<b>Workers laid off from selected steel and auto plants</b>	<b>Experienced male production workers earning high pre-layoff wages</b>	<b>JSA followed, where necessary, by CT or OJT</b>
<b>Texas WAD: Houston</b>	<b>1983-85</b>	<b>Workers eligible for JTPA Title III</b>	<b>Adult male professional workers earning high wages laid off from petrochemical plants</b>	<b>JSA-only (Tier I) or JSA followed by CT (Tier I/II)</b>
<b>El Paso</b>			<b>Adult Hispanic males and females earning low wages laid off from light mfg. plants</b>	<b>JSA followed by CT (Tier I/II)</b>
<b>New Jersey UI</b>	<b>July 1986-fall 1987</b>	<b>UI claimants with 3+ years of pre-layoff job tenure</b>	<b>Adult males and females laid off from jobs in mfg., trade, and services</b>	<b>(1) JSA only, (2) JSA followed by CT or OJT, or (3) JSA followed by reemployment bonus</b>

An important difference between the projects is the approach program designers followed in targeting services to displaced workers. In the Downriver project and the Buffalo program of the Dislocated Worker Demonstration Project,<sup>6</sup> targeted are workers displaced from their jobs by large layoffs in local auto and steel plants. The displaced workers served in these two demonstrations are male blue-collar workers with lengthy job tenure who enjoyed high wages prior to being laid off. Program services were provided promptly after plant closings to Downriver participants; while, for the Buffalo project, there was a lengthy period of post-layoff unemployment prior to program enrollment.

Rather than targeting services to workers laid off from particular plants, the Texas Worker Adjustment Demonstration (WAD) and New Jersey UI projects identified displaced workers by their eligibility for an on-going adjustment assistance program. The Texas WAD project served workers eligible for the JTPA program. Beginning in 1982, JTPA gave the states the responsibility of identifying displaced workers. Bloom (1990:10) notes that WAD program designers interpreted federal JTPA eligibility criteria as requiring that applicants must be (i) unemployed with a low probability of returning to work in the previous occupation or industry; (ii) UI benefit recipients or exhaustees; or (iii) workers faced with special barriers to reemployment, such as being older or not speaking English.

WAD operated six projects between 1983 and 1985. Available for evaluation purposes are two projects in El Paso and one in Houston. As noted in Table 4, WAD program services were provided to groups of displaced workers other than the mostly white male steel and auto workers targeted for assistance in the Downriver and Buffalo projects. The Houston project also served white males; but sizable groups of blacks, Hispanics, and Asians are represented among sample members. In El Paso, over 90% of the workers sampled are Hispanics, with about equal numbers of men and women.

Turning to the New Jersey UI demonstration, Section D described how a series of five screens were used to distinguish the displaced from other unemployed workers claiming UI benefits. Men and women are about equally represented in the eligible population, which also includes sizable proportions of blacks and Hispanics and workers age 55 and older. Workers laid off from jobs in the trade and services industries, as well as in manufacturing, are included among eligible claimants.

**Evaluation Results.** As indicated in Table 5, the evaluation design differs sharply between the Downriver and Buffalo projects and the Texas WAD and New Jersey projects. The two earlier projects use a treatment group/comparison group design, where the two groups of laid off workers are drawn from different plants. In contrast, the two later programs implemented a true experimental design in which program participants were randomly assigned to a treatment group or to the control group. Beginning with the Downriver project, the net impact estimates presented in the Abt Associates report vary substantially depending the phase of the program and on the plants from which treatment and comparison group members were selected. The net earnings estimate of \$111 per week shown for Phase I (July 1980-September 1981) is the "best" estimate reported in terms of its magnitude and stability across alternative comparison group plants. The incremental effect of CT above that of JSA is not reported, but Kulik, Smith, and Stromsdorfer (1984:92) conclude that classroom training did not significantly improve participants' post-program reemployment rates.

Shown in Table 5 for the Buffalo project are net impact estimates obtained for the "target plant sample."<sup>9</sup> The Buffalo project is noteworthy for the relatively large percentage of OJT slots it provided, and the Mathematica Policy Research report supplies estimates of the incremental effect of OJT as well as CT (see Corson, Long, and Maynard 1985). Unfortunately, there is little indication that either type of training substantially improved participants' labor market opportunities above those available to workers who undertook a JSA-only program. Note also that the cost per participant for the JSA/CT and JSA/OJT treatments is more than three times that of JSA-only. It is clear that JSA is the only potentially cost effective treatment of the three evaluated.

The superior evaluation design and more broadly based sample available for the Texas WAD projects do not substantially alter the pessimistic conclusion reached for skill training from the two earlier projects. Judging from Table 5, only for women in El Paso is there evidence that the Texas WAD program had a permanent effect in increasing earnings and reducing UI benefits. For these women, the program's effect on earnings at the end of the first year slightly exceeds program costs. WAD also reduced UI benefits by an average of \$227 per participant measured over a 30-week period.

**Table 5**

**Estimated Program Net Impacts and Costs for the Major U.S. Displaced Worker Demonstration Projects**

Demonstration project	Net impact		Cost <sup>a</sup>	Evaluation method
	Earnings <sup>c</sup>	UI benefits <sup>d</sup>		
Downriver <sup>a</sup>	\$111 <sup>***</sup>		Levels not avail. Cost of training more than twice that of JSA	Treatment and comparison groups randomly drawn from different plants
Buffalo <sup>b</sup>	JSA: \$134 <sup>**</sup> JSA/CT: 122 JSA/OJT: 64		JSA: \$851 JSA/CT: 3,282 JSA/OJT: 3,170	Treatment and comparison groups randomly drawn from different plants
Texas WAD: Houston	\$547	-\$204	Tier I: \$1,460-2,072 Tier I/II: 2,981-3,381	Random assignment of eligible workers to treatment and control groups
El Paso	Men: \$770 Women: 1,148 <sup>**</sup>	-\$194 -227 <sup>**</sup>	Tier I: \$406-702 Tier I/II: 725-1,099	
New Jersey UI	JSA: \$263 <sup>**</sup> JSA/CT: 103 JSA/OJT: 278 <sup>**</sup>	-\$87 <sup>*</sup> -81 <sup>*</sup> -170 <sup>**</sup>	CT: \$2,723 OJT: 1,960	Random assignment of eligible workers to treatment and control groups



**Notes to Table 5**

**Sources:** Downriver: Kulik, Smith, and Stromsdorfer (1984: Table 3.4); Buffalo: Corson, Long, and Maynard (1985: Table IV.4); Texas WAD: Bloom (1990: Table 8.2); and New Jersey: Corson, and others (1989: Tables 2, 3, and VII.1).

\*\*\*, \*\*, and \* signify that the program effect is statistically significant at the 1%, 5%, and 10% levels, respectively.

- a. Phase I net impact estimate for BASF workers using Lear-Siegler as the comparison plant.
- b. "Target plant" net impact estimates.
- c. Measured weekly for Downriver and Buffalo, annually for Texas WAD, and quarterly for New Jersey UI. New Jersey estimates are measured for the second quarter after initial UI claim.
- d. Measured over 30 weeks for Texas WAD and over the benefit year for New Jersey.
- e. Cost estimates are per worker who received services.

Among men, quarter-by-quarter earnings estimates reported by Bloom (1990:163) indicate that WAD participants were reemployed sooner than would have otherwise been the case. But ultimately, as seen in Table 5, the employment opportunities of male participants were no better than for members of the control group. The Houston program also allows the differential effect of Tier I versus Tier I/II services to be calculated. Despite the higher costs of Tier II services (which were almost exclusively CT), the evidence suggests that essentially no additional gains accrued from adding Tier II services to job search assistance.

Authors of the evaluation reports for each of these three demonstrations take care in interpreting their inconclusive or even negative results for skill training. Caveats mentioned include the difficulty of drawing reliable inferences from small sample sizes; the problem that program participants undergoing skill training have relatively little time left to receive placement assistance (given demonstration periods of fixed length); the scarcity of training providers capable of putting together high-quality, short-duration training courses on short notice; and the possibility that the CT provided is either not saleable in the local labor market or not of particular interest to the client population. On the last point, Bloom (1990:139) notes forthrightly that the Tier II training programs in blue-collar skills were not well matched to the backgrounds and interests of the mostly white-collar participants in the Houston WAD project.

For the New Jersey UI Demonstration, Corson and others (1989) present quarterly net impact estimates of treatment effects for the first year following the date of filing the initial UI claim. Table 5 indicates that by the second quarter after filing, participants receiving JSA-only and JSA/reemployment bonus services were enjoying earnings that are significantly higher than those measured for the control group. By the fourth quarter, however, the earnings effect of both treatments tailed off to essentially zero. Looking at UI benefits, the difference between the JSA-only and JSA/reemployment bonus estimates is large and statistically significant indicating a sizable incremental effect of the bonus in speeding up reemployment. For JSA plus skill training, however, there is no evidence of either a permanent increase

in earnings or expedited reemployment. The authors caution that this conclusion may be misleading because of the low take-up rate (15%) among program participants offered JSA/training.

Anderson, Corson, and Decker (1991) provide additional evidence on the effect of the New Jersey treatments over a nearly four-year follow-up period. The JSA-only and JSA/reemployment bonus treatments are found to reduce UI benefits in both the initial year and the following year, implying that these treatments contributed to more rapid reemployment initially and to more stable jobs. The follow-up study also presents somewhat more positive evidence on the effectiveness of skill training, where CT is distinguished from OJT for the small number of OJT recipients. Looking only at claimants who actually participated in a skill training program (as opposed to the random sample of all claimants offered the skill training treatment), classroom training reduces earnings in the initial two quarters. This result is expected since training is likely to be on-going during these quarters. But in quarters 4 through 10, CT increases earnings by as much \$500 per quarter (in quarters 8 and 10) relative to the earnings of claimants in the JSA-only treatment. Even larger incremental effects are observed for OJT trainees. In quarters 8 and 10, OJT is estimated to increase earnings by about \$2,700 and \$3,000, respectively. Anderson, Corson, and Decker (1991 48-55) also note, however, that retraining has a larger impact for claimants who already possessed readily marketable skills than for claimants who were less market ready.

Benefit-Cost Analysis for the New Jersey Project. By far the most careful benefit-cost analysis available for the four displaced worker demonstrations is that provided by Corson and others (1989:Ch.7) for the New Jersey project. Some of their main findings are presented in Table 6, where costs and benefits are measured from the perspectives of both society and the government. For society, the fundamental issue is whether program treatments increase total goods and services in the economy. Transfers between groups, such as taxes paid by reemployed program graduates and their employers, do not change the resources available to society as a whole, and thus have no impact on social costs and benefits. The government, on the other hand, is less interested in total available resources than it is in the direct and indirect costs of the treatments and the increase in tax revenue expected if program

**Table 6****Benefit-Cost Comparison for the Three Treatments Delivered In the  
New Jersey UI Demonstration**

<b>Benefits and costs</b>	<b><u>JSA-only</u></b>		<b><u>JSA/training</u></b>		<b><u>JSA/bonus</u></b>	
	<b>Society</b>	<b>Govt.</b>	<b>Society</b>	<b>Govt.</b>	<b>Society</b>	<b>Govt.</b>
<b>Increased output</b>	<b>\$736</b>	<b>\$0</b>	<b>\$417</b>	<b>\$0</b>	<b>\$715</b>	<b>\$0</b>
<b>Claimants' taxes</b>	<b>0</b>	<b>156</b>	<b>0</b>	<b>81</b>	<b>0</b>	<b>161</b>
<b>UI payments</b>	<b>0</b>	<b>87</b>	<b>0</b>	<b>81</b>	<b>0</b>	<b>170</b>
<b>Demonstration costs</b>	<b>-169</b>	<b>-169</b>	<b>-491</b>	<b>-491</b>	<b>-174</b>	<b>-299</b>
<b>Offset cost of existing services</b>	<b><u>14</u></b>	<b><u>14</u></b>	<b><u>115</u></b>	<b><u>115</u></b>	<b><u>24</u></b>	<b><u>24</u></b>
<b>Sum of benefits and costs</b>	<b>\$581</b>	<b>\$88</b>	<b>\$41</b>	<b>-\$214</b>	<b>\$565</b>	<b>\$56</b>

**Source:** Corson and others (1989: Tables VII: 3, VII: 4, and VII: 5).

participants are put back to work sooner or at higher wages. From a governmental perspective, that is, the resource costs of the treatments may be offset or more than offset by savings in UI benefits paid out and costs of providing Employment Security and JTPA services and by the receipt of higher tax revenues.

The benefits and costs shown in the table are measured for the first year after the initial UI claim. Beginning with the JSA-only treatment, a sizable program impact on output and earnings when coupled with modest program costs results in a net social gain of \$581 per claimant. From the government's perspective, the savings in UI payments are not enough to pay for the cost of JSA services. However, the increased taxes paid by claimants and their employers are sufficient to generate a small, but positive, net gain for the government. Essentially the same considerations apply to the JSA/reemployment bonus treatment. From a governmental perspective, in particular, a small net gain is recorded because the added cost of the reemployment bonuses is more than offset by the saving in UI payments and the increase in claimants' taxes.

A less favorable benefit-cost assessment is obtained for JSA/training. Compared with the other two treatments, JSA/training has a much smaller impact on earnings, with an associated small saving in UI payments and a small increase in taxes paid. When coupled with the substantial costs of providing skill training,<sup>10</sup> the government sector incurred a net loss while society as a whole roughly broke even.

Anderson, Corson, and Decker (1991) repeat the benefit-cost analysis using their longer-term impact estimates. Since the JSA-only and JSA/reemployment bonus treatments are found to generate additional UI savings, the results viewed from a governmental perspective are more favorable than indicated in Table 6. Reduced UI benefits allow the government to realize a net gain of \$134 per claimant for JSA-only (as opposed to \$88), while the government's net gain for the JSA/reemployment bonus rises from \$56 to \$138. For JSA/training, however, the longer follow-up period makes essentially no difference in the size of the net loss incurred by the government sector.

**Canada**

The Skill Training component of the NITP. From 1982 to 1985, the Canadian National Institutional Training Program (NITP) supplied funding to allow program participants to purchase basic education or skill training from the existing training infrastructure. Discussed in Section D was the evaluation of NITP's basic education component. For the Skill Training component, Robinson and others (1985) report net impact estimates using a treatment group/comparison group evaluation methodology. Controlling for pre-program differences in labor market variables and for improvement in the outcome measures that occurred over time for both groups, their evidence indicates that skill training has no significant impact on earnings, while there is some indication of a positive effect on labor force participation.

The Job Development Program. Introduced in 1985 as part of the Canadian Jobs Strategy, the Job Development Program is intended to increase the employability and earnings of the long-term unemployed (workers who were jobless for at least 24 of the 30 weeks preceding their referral to the program). To achieve this objective, both wages and the direct costs of classroom training are subsidized for targeted individuals. The wage subsidy is intended to help employers cover the costs of OJT. An evaluation report by Goss, Gilroy & Associates (1989) examines net program effects for the following Job Development Program options (i) the General Projects option which combines formal and on-the-job training; (ii) the Individually Subsidized Jobs option in which a sponsoring employer prepares a comprehensive proposal tailored to the specific needs of long-term unemployed individuals who are minorities, ex-offenders, or partially disabled; and (iii) the Severely Employment Disadvantaged option which provides employment in community-based projects for the long-term unemployed who are functionally illiterate, alcohol or substance abusers, ex-inmates, or are identified as having attitude or motivation problems.<sup>11</sup>

Pre- and post-program labor market information was collected from administrative data for a sample of program participants and a comparison sample of nonparticipants. Desegregating by program option and gender, Table 7 shows net program effects on employability and expected weekly

earnings, plus average program cost per participant. Expected weekly earnings are calculated as wages (for those who are employed) times the employability measure which is the percentage of calendar time employed. Except for males in the General Projects and females in the Individually Subsidized Jobs option, program participation is seen to enhance employability by between 13 and 20%. Nevertheless, only for males in the Individually Subsidized Jobs option is there evidence of a positive net impact on earnings. Indeed, for males in the General Projects and females in the Individually Subsidized Jobs options the net impact estimates suggest that they would have done better without the program. These generally negative results for expected earnings must be regarded as particularly discouraging for the General Projects option in view of its high cost per participant.

**Table 7**

**Net Impact and Cost Estimates for the Canadian Job Development Program, by Program Option and Gender**

Program option and gender	Employed/calendar time	Expected earnings/week <sup>a</sup>	Cost/participant
<b>General Projects:</b>			
Female	16.1%**	-\$1	\$9,346
Male	-12.7**	-109**	
<b>Individually Subsidized Jobs:</b>			
Female	-5.5%**	-\$17*	\$3,914
Male	13.1**	41**	
<b>Severely Employment Disadvantaged:</b>			
Female	14.5%**	\$16	\$5,914
Male	19.9**	-21	

**Source:** Goss, Gilroy & Associates (1989: Tables 1.1 and 4.10).

<sup>a</sup>Defined as the product of the employability measure and wages.

\*\* and \* signify that the program effect is statistically significant at the 1% and 5% levels, respectively.

**Australia**

It was noted in Section C that displaced worker programs in Australia during the 1970s and 1980s emphasized the targeting of assistance to workers displaced from their jobs in particular industries. The one program for which evaluation evidence is available is the Labour Adjustment Training Arrangements (LATA) initiative created in 1982 to assist displaced workers in the steel, coal, and auto and auto parts industries. LATA's primary objective is to develop flexible packages of classroom training to meet the retraining needs of eligible workers. Training may be provided by either public or private educational institutions. In addition to covering the direct costs of classroom training, LATA supplies an income-maintenance allowance to trainees and provides financial assistance to meet the costs of textbooks, equipment, and special course fees.

The evaluation study by Ho-Trieu (1986) examines LATA's impact on 445 auto workers displaced from their jobs by a plant closure in October 1984. LATA training courses available to these workers differed by type and length, and program participants were eligible to take as many different courses as they desired. Participants spent an average of 19 weeks on training. The main distinction between the types of courses taken is whether or not the course had to do with driver training (i.e., bus, train, or truck driving; forklift driving; operation of earth moving equipment; and light vehicle driving).

Over the 8- to 9-month observation period available for analysis, the net impact estimates reported by Ho-Trieu compare the job placement record (in either full-time or part-time jobs) of LATA trainees with that of eligible workers who chose not to participate. An obvious problem with this methodology is self-selection in the determination of program participation. A second issue is that the short length of the observation period implies that the net impact of longer training courses will be downwardly biased because of the reduced time available for job search. With these caveats in mind, the probability that a typical worker will be reemployed by the end of the observation period is found to depend strongly on whether the training program involved driver training. Driver training increases the probability of employment in comparison to the probability estimated for nonparticipants, while other training courses result in a decrease in the estimated reemployment probability. Ho-Trieu (1986:71-72)



speculates that possible reasons for the strong impact of driver training include (i) a closer trainer-trainee relationship in driving courses, (ii) the fact that driving skills can be learned independently of other factors such as English proficiency and basic academic skills, and (iii) the greater opportunity offered those with driving qualifications for starting their own contracting businesses.

### **Sweden**

The opportunity to evaluate labor market programs like Sweden's national training system is severely constrained by the difficulty of obtaining a reasonable control or comparison group. Random assignment of eligible workers to treatment and control groups runs into the ethical issue of denying potentially beneficial services to individuals selected to be members of the control group. Similarly, a matched comparison group of individuals who did not have access to the program is not easily visualized for a program that is both nationwide and permanent.

These factors taken in conjunction with the internal feedback generated through AMU boards probably explain the small number of Swedish evaluation studies. Bjorklund (1990, 1991) furnishes an overview of seven available studies examining the labor market effects of mobility grants, JSA, temporary employment, and job skills training. The two studies evaluating the effect of skill training yield mixed results. Although the estimated training effects are generally positive, they are frequently not statistically different from zero and their size appears to be quite sensitive to model specification. Of the remaining five studies, only the two evaluating JSA programs indicate evidence of a positive effect on labor market opportunities. In the two communities studied, the assignment of additional employment exchange personnel to assist the unemployed is found not only to speed up reemployment but also to improve the quality of job placements as measured by monthly earnings, percentage of workers with permanent jobs, and scores on a test of job satisfaction. There is also evidence that JSA is cost effective.

**Britain**

The discussion of British labor market policy in Section D described the transformation in the late 1980s from industry-specific to locally-based training. As noted, the earlier industry-specific training system operated through Industrial Training Boards (ITBs) authorized to impose taxes on employers to support extensive apprenticeship programs. These programs included nationally recognized exams that allowed individuals near or at the end of their training to obtain formal qualifications beyond the apprenticeship.

Blanchflower and Lynch (1991) compare the post-school training experience of young non-college graduates in Britain and the U.S. using two large longitudinal data sets that provide detailed micro data for youth during the 1970s and early 1980s. The authors' principal finding is that non-college bound youth in Britain received much more post-school training than similar American youth. The primary source of this training in Britain, especially for males, was apprenticeships. Apprenticeship training in both countries is also found to have a large positive effect on earnings. In Britain, this positive effect is substantially boosted when apprenticeship training is associated with formal qualifications obtained during or at the completion of the apprenticeship program.

Blanchflower and Lynch suggest that these results have an interesting policy implication relating to the Thatcher government's policy of replacing ITB apprenticeship programs by locally-based programs under the Youth Training program. The implication is that if Youth Training is to deliver high quality training that meets the skill requirements of local employers, attention should be paid to certifying the skills acquired through training programs.

**F. Lessons for Developing and Middle-Income Countries**

Many developing and middle-income countries have recently taken steps to integrate themselves more completely into the world economy. These steps typically include the removal of policies which protected inefficient domestic industries from international competition. The industrial restructuring that results often leads to layoffs and plant closures and large-scale worker displacement.

At the same time, the new technology that must be introduced in order to compete in world markets imposes on both currently employed and displaced workers a higher standard of competence measured in terms of skill and capacity to learn on the job.

A dramatic example of the powerful economic forces unleashed by exposure to world markets is the current depression in East Germany following its reunification with West Germany. Akerlof and others(1991) suggest that with the availability of superior quality goods from the West, there was a near collapse of demand for East German goods. Exposure to foreign competition forced producer prices to fall, while wages remained artificially high due to the market power of unions. The resulting price-cost squeeze forced employers to make severe cutbacks in output and employment. Indeed, the employment opportunities of East German workers are now so bleak that Akerlof and others estimate that a massive 75% wage subsidy would be required to maintain a reasonable level of employment among existing firms.

The six OECD nations examined in this essay all offer retraining assistance to displaced workers, but their programs differ in many respects including the role of the private sector as opposed to the public sector as a provider of training services. Japan stands out in its exclusive focus on private sector training, especially in its emphasis on enterprise training. (Note that private sector training includes both enterprise training and proprietary school programs.) Certainly enterprise training offers a number of advantages including a close match between skills demanded and skills supplied through training programs, the availability of up-to-date equipment and technical information, and the opportunity to learn on the job. However, there are at least two dangers associated with relying entirely on government reimbursed enterprise training programs. These dangers are that employers (i) have an incentive to cream in the selection of trainees and (ii) may enjoy windfall gains at taxpayers' expense by retraining already employed workers who would have received training even in the absence of reimbursement. In other words, it will be difficult to instill in employers elsewhere the responsibility Japanese employers apparently feel for doing their part to minimize national unemployment.

Middleton, Ziderman, and Adams (1991) point out three constraints that limit in most countries the role of private sector training and, at the same time, support the provision of public sector training programs. First, training frequently provides significant external effects that cannot be captured by the employers supplying training services. The standard example is training which is readily transferable to other employers. In addition, it was argued in Section C that displaced workers should be entitled to receive special governmental assistance since society as a whole benefits from the same international competition and technological progress that cost these workers their livelihoods. A second constraint involves market imperfections such as the difficulty workers are likely to face in attempting to borrow funds needed to pay for lengthy training programs supplied by public or private training institutions. Finally, developing and middle-income countries are unlikely to have the employer or private training institution capacity to satisfy the demand for training on the part of displaced workers. This is especially the case for the small and medium-sized firms that are estimated to employ 60 to 80% of private sector workers in many developing countries (see Middleton, Ziderman, and Adams 1991:8).

With the exception of Japan, the industrialized countries examined here offer government programs designed to increase the availability of institutional training to displaced and other unemployed workers. Sweden supplies training services through a national institutional structure exclusively devoted to adult training. Australia, Canada, the U.K., and the U.S. subsidize the purchase of training services largely provided through the existing educational infrastructure. Experience gained from operating training programs in all six nations suggests a number of lessons on how to go about structuring effective and efficient public sector training programs. The remainder of this section outlines these lessons. It is important to recognize, however, that their transferability to developing and middle-income countries may be limited by the prospect of high rates of open unemployment associated with exposure to international market forces. Clearly, the scope of worker redundancy currently existing in East Germany, for example, is a very different situation than the 2- 3% unemployment rate that has been maintained in Sweden.

Training should be separated from education. To effectively serve displaced workers, training providers must have the capacity to respond flexibly to changing patterns of labor demand. This

suggests that adult training programs should be structured to be independent of the educational system with its rigid ties to degree requirements and academic schedules. A useful model to follow is the independent Swedish National Training Board (AMU) which provides highly flexible adult training programs characterized by open entry and exit, variable course lengths, self-paced instruction, and training that can be tailored to the needs of individual employers.

On a much smaller scale, a training program located in a middle-income country which is both independent of the educational system and highly flexible in the services it offers is a training center operated by Brazil's National Industrial Training Service (SENAI) in Rio de Janeiro (see Middleton, Ziderman, and Adams 1991:53). This SENAI center organizes training materials into modules of worksheets and activities. Enrollment can occur any time during the year; and upon entering the program, trainees are tested to ensure placement in the appropriate module. SENAI trainees then complete each module at their own pace and are tested for competency on the material covered in that module. The final stage of the training process is a period of supervised enterprise training. It is worth emphasizing that the role of SENAI instructors is to provide guidance and testing--no lectures are given.

Linkages to employers must be developed and maintained. In the absence of an accurate methodology for forecasting shifts in the occupational demand for labor, close linkages with employers are necessary to ensure that training curricula meet a market test of providing displaced workers with saleable skills. The Japanese government clearly goes the furthest in applying this lesson, on a quite limited basis, by subsidizing employers to retrain redundant workers. It is important to note that in Japan enterprise training builds on a solid educational foundation provided by the secondary school system.

The other five industrialized countries examined all involve employers in institutional training programs by, at a minimum, gaining their input in formulating policy on issues such as curriculum development, program admission, and monitoring program quality. Moreover, the involvement of employers in training programs is clearly increasing. As discussed in Section D, for example, the Swedish government moved in 1986 to increase the market orientation of its national training system by

ceasing to directly fund the AMU. Instead, the new policy requires that the AMU sell training services on the open market at prices it establishes. As might be expected, the AMU's primary customer continues to be the Swedish Employment Service. But even this agency is permitted to contract for training services from training providers other than the AMU.

Another example of a change in national labor market policy to increase the market responsiveness of retraining programs is the decision of the British government during the 1980s to phase out subsidies to industry-specific apprenticeship programs. In their place, a new program announced in 1988 provides central government funding to locally-based Training and Enterprise Councils (TECs) which are local groups of employers that enter into contracts with the national Department of Education. Each TEC is charged with satisfying the needs of local employers for quality training. Underlying this policy change is the premise that locally-based programs are likely to be more closely attuned and responsive to shifts in labor demand, especially of newly created businesses, than are industry-level arrangements. In defense of industry apprenticeship programs, however, it should be noted that evidence provided by Blanchflower and Lynch (1991) suggests that British employers recognized and rewarded in the form of higher earnings formal certification of skill competence achieved by passing a nationally recognized exam at the completion of apprenticeship training.

Training programs must meet the needs of displaced workers. Displaced workers are unemployed adults who are interested in jobs, not training. At the same time, displaced workers are likely to be resistant to returning to an institutional training environment after many years of being out of the classroom. These considerations imply that institutional training programs should be designed to (i) minimize the foregone earnings associated with program enrollment and (ii) make training as job relevant as possible to trainees.

The first of these goals reinforces a point made in connection with the first lesson. That is, training programs should be self-paced or at least scheduled in such a way as to reduce lost work time. In addition, a strong case can be made for providing income-maintenance allowances to displaced workers on the argument that society captures the largest share of the benefits of an efficiently operating

economy while displaced workers bear the largest share of the costs. Australia has for many years allowed displaced workers to qualify for income-maintenance payments. It is interesting to note, however, that in 1991 the Australian government implemented a fundamental reform of its unemployment benefit program to make program eligibility much more closely tied to unemployed workers' willingness to take advantage of available adjustment assistance services including training.

The goal of making training job-relevant applies to all institutional training programs, but it is probably the most difficult to carry out in connection with basic education programs. Discussed in Section D is a San Jose, California demonstration program that attempts to integrate basic education with skill training to prepare low-income single mothers for specific jobs available in the local labor market. Quantitative evaluation evidence obtained for this program indicates that the "integrated" program model compares very favorably with the more traditional "sequential" and "general employability" approaches. The sequential approach requires that academic standards be met before trainees are allowed to pass from basic education to job skills training, while the general employability approach is restricted to instruction in basic reading and math skills and job search techniques.

Training providers should be made accountable, but with care. Among the industrialized nations studied, accountability was considered in Section D in the context of how to go about monitoring the performance of training providers. Typically imposed in the contracts reached with these providers are performance standards described in terms placement rates in training-related jobs, per participant costs, and starting wage rates. Performance-based contracts clearly have desirable incentive effects in terms of providing marketable training and the efficient use of resources. Nevertheless, the discussion also brought out the less desirable incentives of program administrators to cream in the trainee selection process in order to meet performance standards expressed in terms of labor market outcomes and to limit the availability of more intensive and expensive skill training services. It was emphasized in Section B that among the displaced, it is workers with little formal education and vocational training who are most likely to suffer from long-term unemployment. To ensure that training services are not restricted to providing inexpensive job search assistance to the most job-ready of eligible displaced workers, meeting

performance standards must be made conditional on serving the needs of a complete spectrum of displaced workers.

Not all displaced workers require adult training services. The program evaluation studies summarized in Section E indicate that relatively expensive skill training programs are typically not cost effective. Indeed, more favorable benefit-cost evidence is reported for much less costly job search assistance services. As noted earlier, these studies have primarily been carried out for U.S. displaced worker programs which are typically less permanent and less well funded than those found in many other industrialized nations. In addition, the authors of the U.S. studies raise a number of caveats about their findings that make them very cautious in drawing policy recommendations regarding skill training. At the same time, however, the limited evidence summarized for skill training in Canada, Sweden, and Australia also fails to provide clear evidence that these programs substantially enhance employability and earnings.

It seems prudent to conclude from the available empirical evidence that, particularly for skill training provided in a classroom setting, retraining should be limited to carefully screened displaced workers whose specific needs can be adequately matched with local training resources. Indeed, the one criticism that has been levied against the comprehensive Swedish training system is that it enrolls unemployed individuals for whom retraining is unlikely to improve their labor market opportunities.

A permanent, institutionalized training is to be preferred to short-term intervention. A final lesson closely related to the aforementioned lesson concerns the evidence that short-term intervention as typified by the U.S. displaced worker demonstration projects has seldom been found to be very effective in improving the employability and long-run earnings prospects of displaced workers. The more hopeful approach is a training system that is permanent and institutionalized. As noted, an example of such a training system is the Swedish AMU. Training programs in Australia, Britain, Canada, and the U.S. have undergone considerable recent change designed to make them flexible in responding to shifts in labor demand and to the needs of displaced workers. But unlike the Swedish model, programs in all four countries make use of external training providers to supply retraining services. The effectiveness of these programs remains to be established.



### **G. Agenda for Future Research**

The discussion of industrialized nations' experience with adult training programs presented in this essay not only provides the background for the six lessons just listed, it also makes clear that there are a number of issues concerning the retraining of displaced workers that warrant further exploration. This final section briefly outlines four of these issues.

A first issue revolves around the question of how to make sure that displaced workers who would benefit most from training services actually receive retraining. Sweden's comprehensive training system solves this problem by providing services to all unemployed workers, as well as to those employed workers at risk of unemployment. But since the programs of most other nations are specific to displaced workers and involve the purchase of training services from external training providers, program officials face the dual problems of identifying workers most in need in services and then making sure that the needs of targeted workers are effectively met. The discussion in Section D suggested that the identification problem can be dealt with, as a first approximation, by focusing on workers with low levels of educational attainment. The latter problem is made more difficult by the common practice of reaching contracts with training providers that are performance based, giving providers an incentive to screen out those workers most urgently in need of assistance. Additional research is needed on how contractual arrangements can be specified that encourage performance by training providers as measured by such outcomes as job placement while still assuring that the least job ready receive needed services.

A related issue is how best to meet the needs of displaced workers who require enhanced basic math and communications skills before they can be considered employable or even ready to go on to job skills training. As noted in Section D, displaced worker retraining programs have seldom included a basic education component. Fortunately, considerable experience in the provision of basic educational services is available for U.S. programs designed to improve the labor market prospects of welfare recipients; and evidence from the four Minority Female Single Parent demonstration projects was briefly discussed in Section D. But further attention to the substantial body of research on U.S. welfare-

employment programs, as well as to evaluation studies available for comparable programs in other industrialized nations, would be useful for supplying guidance to policymakers responsible for structuring basic education programs for displaced workers.

A third issue draws on the brief discussion in Section D of enterprise training in Japan. The main reason the discussion was brief is that government wage and training cost subsidies of the type supplied by the Japanese government are outside the scope of this essay. Nevertheless, it would clearly be helpful in designing institutional training systems to have available more information on how employers in Japan and in other industrialized nations supply job skills to employees.

Last but certainly not least, considerably more attention needs to be paid to the transferability of the experience of industrialized nations to the design and implementation of retraining programs in low-income developing and middle-income countries. Resource constraints will be substantially more severe for these countries than the case for the OECD nations described, putting limits on both access to relatively expensive skill training and basic education programs and availability of income-maintenance allowances provided while workers are being retrained. At the same time, as noted in Section F, low-income developing and middle-income nations face the prospect of very high open unemployment as they attempt to integrate themselves into the world economy.

**Endnotes**

1. The second objective is to empirically measure the effectiveness of three alternative packages of reemployment services in speeding up the return to work. Evaluation results obtained for the New Jersey project, as well as for three other U.S. displaced worker demonstration projects carried out during the 1980s, are discussed in Section E.
2. The NITP and other Canadian training programs were incorporated in 1985 into an umbrella program consisting of six component programs called the Canadian Jobs Strategy (CJS). In July 1991, in turn, the CJS was extensively restructured to eliminate stringent eligibility criteria established at the national level. The new framework provides services through the following three programs (i) the Employability Improvement Program assists workers facing serious labor market difficulties, (ii) the Labour Market Adjustment program assists private sector employers in providing training for their workforces, and (iii) the Community Development Program assists communities faced with layoffs and plant closings to increase employment opportunities.
3. Bendick (1984 195) suggests that the placement of unemployed Swedes in job training often seems to have a sociological or psychological purpose rather than an economic one. That is, retraining is frequently discussed in terms of support for the work ethic or to influence the nature of work rather than as enhancing an individual's immediate employability.
4. The federal budget for fiscal year 1993 released in January 1992 includes an expanded role for PICs in coordinating the Job Training 2000 initiative. In Job Training 2000, the state-operated system of Employment Service offices would be restructured into a system of Skill Centers designed to offer "one-stop shopping" for workers in need of labor market services. Like the British TEC system (see the discussion which follows in the text), PICs would receive funding from the federal government and be responsible for delivering all major national labor market programs, including the issuing of training vouchers to be used for classroom training, on-the-job training, and training-related and support services.
5. The 1991 restructuring of Canadian training programs incorporated the CJS's Job Development program into the Wage Reimbursement component of the Employability Improvement Program. Section D provides a discussion of available evaluation evidence for the Job Development program.
6. The 1988 reform of the British training system requires that contracts between the federal Employment Department and TECs and between each TEC and subcontracting training providers be performance based. Contracts are to contain quantitative performance measures relating to target groups served, qualifications attained by program graduates, job placement rates, business support activities, and unit costs.

7. More detail is found in Leigh (1990:Ch. 3).
8. The Buffalo program is one of six geographically scattered demonstration sites that received funding from the U.S. Department of Labor in the Dislocated Worker Demonstration Project. The projects were carried out between October 1, 1982 and September 1, 1983. The Buffalo program was selected for a net impact analysis primarily because it offered a true control group for the majority of workers recruited for program participation.
9. Results for the "nontarget plant sample" are considered less reliable because program participants were not randomly selected.
10. The large difference between the demonstration cost of the JSA/training treatment shown in Table 6 (\$491) and the cost of CT and OJT appearing in Table 5 (\$2,723 and \$1,960, respectively) is that the former is calculated over all claimants assigned to the skill training treatment, while the latter is specific to those members of the treatment group who actually participated in a training activity.
11. A fourth option--the Direct Purchase Option--is not examined in the evaluation report. The Direct Purchase Option funds the purchase of classroom vocational training from provincial educational institutions.

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