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- Report to Rudy Perpich, Governor.



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Report to

Rudy Perpich

Governor

State of Minnesota

and

The Governor's Job Training

Council

by

**The Governor's
Commission
on Economic
Dislocation**

March 1989

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Report to
Rudy Perpich, Governor
State of Minnesota
and
The Governor's Job Training Council
by
The Governor's Commission on Economic Dislocation
March 1989

Prepared for the Commission by the
Minnesota Department of Jobs and Training
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Bill Thiele
3M

DATE: March 14, 1989

TO: Rudy Perpich
Governor

Gene Bier
Chair, Governor's Job Training Council

FROM: Bernard Brommer, Co-Chair
Austin Sullivan, Co-Chair
Commission on Economic Dislocation

Over the last eight months, our Commission has been meeting to assess the extent and implications of worker dislocation in Minnesota. We have prepared the enclosed report based on this assessment and analysis. It reviews general background on Minnesota dislocated workers, evaluates existing programs, and suggests recommendations for use by policy makers.

We have been honored to serve as Co-Chairs of this Commission and are anxious to share the insight that we have gained through this process. We thank the members of the Commission for many months of hard work. On behalf of the Commission, we are pleased to submit this report for your review and consideration.

Enclosure



STATE OF MINNESOTA

OFFICE OF THE GOVERNOR

ST. PAUL 55155

RUDY PERPICH
GOVERNOR

April 28, 1988

Mr. Gene Bier, Chairman
Governor's Job Training Council
2820 Holly Lane
Plymouth, MN 55447

Dear Mr. Bier:

During the 1980's it has become clear that the problem of worker dislocation in Minnesota is growing more severe. Since 1981, approximately 20-25,000 Minnesota workers have become dislocated from their jobs annually. Although some of these workers have been able to obtain new jobs on their own, many others endure prolonged periods of unemployment. Compounding this situation is the fact that many who are fortunate enough to find new jobs are forced to accept low-paying or part-time positions that do not utilize the levels of skill, education and experience that they have accumulated during many years of work in the occupations from which they have been displaced.

This problem has been widely recognized within the State of Minnesota as requiring a new policy initiative. Numerous groups ranging from the Minnesota Business Partnership to the AFL-CIO have publicly called for a state policy on worker dislocation. In response to these concerns, my administration proposed the 1988 Jobs 2000 Bill. This bill was heard several times during the 1988 legislative session and although it was met with a largely positive response, it has become clear that several issues remain outstanding and must be resolved before any definite action can be taken.

Accordingly, I propose that the Governor's Job Training Council create a bipartisan Commission on Economic Dislocation. I recommend that the commission consist of twelve members, eight of whom will be selected by the Council and will equally represent business and labor concerns. I also recommend legislative participation and am therefore asking the legislature to appoint bipartisan representation from both the House and Senate. Two co-chairs should be selected by the council.

In addition, I am asking the following state agencies to assist the Commissioner of the Department of Jobs and Training in providing staff for the commission: State Planning, Finance, Trade and Economic Development, State Board of Technical Institutes, Community College System and Human Services.

Mr. Gene Bier
Page Two
April 28, 1988

The fact that worker dislocation is occurring is not at issue. The commission should focus its attention on the issues for which consensus does not currently exist; defining the term "dislocated worker," establishing a package of programs and policies that address the needs of this group, and establishing an adequate level and mechanism of funding so that the state can respond to these needs. The commission should complete its work by October 31, 1988 so that I can include its meritorious recommendations in my next biennial budget package.

The work of the commission is to construct a broad framework within which the issues raised by this dislocation can be addressed. I ask that the commission members be named and the first meeting held before June 1, 1988.

Thank you very much for your attention to this important project.

Sincerely,



RUDY PERPICH
Governor

Commission on Economic Dislocation

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INTRODUCTION

Despite the fact that Minnesota's economy is relatively strong, worker dislocation is a phenomenon that has continued to affect many workers and communities throughout the state. In response, Governor Rudy Perpich in June 1988 requested the Governor's Job Training Council to formulate a Commission on Economic Dislocation for the purpose of determining the extent and impact of worker dislocation and making policy recommendations.

The Commission held numerous meetings and public hearings through the summer and fall of 1988, and met to make its final recommendations and observations in March 1989. Additionally, the Commission divided into two subcommittees dealing with definitional and programmatic issues. This report reflects the Commission's work. It is the sincere hope of the Commission that these findings and recommendations can be used by policy makers to design effective and appropriate responses to this critical problem facing many Minnesotans.

EXECUTIVE SUMMARY

After many months of meetings, public hearings and careful study, the Commission makes the following recommendations:

- The state should appropriate \$1 million per year to replace reduced Federal JTPA Title III funds to be used at the state level to respond to dislocated workers as defined in this report who lose their jobs through no fault of their own due to plant closings and mass layoffs.
- Participants enrolled in the state-funded program should be eligible to receive UI benefits while enrolled in approved training, as do those in the federally funded dislocated worker program.
- The state should appropriate \$100,000 per biennium to fund prefeasibility studies that could be conducted by communities in the event of a plant closing to explore possible alternatives to the closing that might save jobs.
- Assistance and programs offered by state agencies and providers should be more effectively coordinated in order to provide one-stop services to dislocated workers.
- Performance standards should be established for the state-funded dislocated worker program (these may be different from the federal performance standards).
- The Department of Jobs and Training should develop models of early warning systems to anticipate plant closings to allow for early intervention.
- Federal EDWAA funds must be obligated prior to obligating state funds.
- Greater flexibility in scheduling, curriculum design and financial aids in basic and higher education for dislocated workers should be pursued.
- The Legislature should grant the Department of Jobs and Training statutory authority to enter directly into approved contracts to serve dislocated workers without time-consuming delays that impede a rapid response.

BACKGROUND

DEFINING A DISLOCATED WORKER

The issue of how to define a "dislocated worker" has raised considerable controversy in recent years. The term generally is applied to workers who have permanently lost their jobs through no fault of their own, and who have no possibility of returning to work in the same or a similar occupation in the immediate labor market. This notion specifically excludes those workers who are victims of a plant closing if the worker's occupation is in high demand. For example, a Twin Cities waiter whose restaurant closes is not considered dislocated under this definition, since such a person's occupation is in high demand in the area.

Most of the definitions of dislocated worker that are in common use are structured around the goals of the program or the research work to which they are attached. Hence, numerous considerations such as budget constraints or methodological limitations may have as much effect on the nature of the definition as do the potential policy implications. Therefore the Commission found it useful to construct its own definition.

After extensive consideration, the Commission recommended the following definition, which is constructed in response to the new federal dislocated worker program (EDWAA). It represents the threshold of activity at which the state will initiate its own, state-funded rapid response efforts.

Commission's Definition:

For purposes of responding to permanent mass layoffs and plant closings, dislocated workers are individuals who have been terminated or laid off or have received notice of termination of employment, as a result of any permanent closure¹ of, or any substantial layoff at a plant, facility or enterprise.²

Dislocated workers who receive individual training assistance as part of that response should be individuals who: a) are Minnesota taxpayers; b) are permanently laid off from a job with an employer located in the state of Minnesota; and c) are eligible for or have exhausted unemployment compensation and are unlikely to return to their previous industry or occupation.³

While the Commission selected 50 employees as the threshold level for intervention by the State's rapid response program, it is expected that the Governor's Job Training Council will waive that requirement in special cases where, in the Council's judgment, the number of workers losing their jobs as the result of a plant closing or mass lay-off would have a substantial impact on the community or labor market where the lay-offs occur and would overwhelm the capacity of other programs to provide effective assistance.

A PROFILE OF DISLOCATED WORKERS IN MINNESOTA

Profiling dislocated workers in Minnesota has never been an easy task due to lack of consensus on the definition of dislocation, and due to lack of reliable data. Until recently our knowledge about dislocated workers has been confined to estimates from national surveys, state program participation data or data gleaned from unemployment compensation files. All these data are somewhat limited in usefulness. For example, program participation statistics yield valuable

¹ "permanent closure" means the permanent or temporary shutdown of a single site of employment, or one or more facilities or operating units within a single site of employment, if the shutdown results in an employment loss at the single site of employment during any 30-day period for 50 or more employees excluding any part-time employees.

² "Substantial lay-off" means any reduction in force which is not the result of a plant closure and which results in an employment loss at a single site of employment during any 30-day period for:

- a) At least 50 employees (excluding those who work less than 20 hours per week);
- b) At least 500 employees who are full-time equivalents.

³ NOTE: It is the understanding of the subcommittee that seasonal workers are specifically excluded from this definition unless their seasonal job has been permanently, rather than simply reasonably, abolished.

usefulness. For example, program participation statistics yield valuable information about the characteristics of the participants themselves but can say relatively little about the characteristics of dislocated workers in general. Thus, neither the national studies nor the state's program statistics can answer, with much specificity, questions directly related to the prevalence of worker dislocation in Minnesota, or questions related to their demographic, economic or geographic characteristics.

Nonetheless, because these data are in fairly wide circulation, the Commission believes it to be useful to review them here in order to understand what they can and cannot tell us about Minnesota dislocated workers.

BLS Dislocated Worker Survey

The Census Bureau and the Bureau of Labor Statistics (BLS) have conducted three special national Dislocated Worker Surveys (DWS) as part of the Current Population Survey (CPS). The CPS is the monthly survey from which all basic data on U.S. employment and unemployment is derived. State estimates were made on the basis of these data for the 1986 survey, but because the estimates were considered by the BLS to be unreliable on the state level, they were not made for the most recent survey released in late 1988. Thus, the Minnesota estimates are slightly dated.

The purpose of the 1986 DWS was to calculate the number and characteristics of dislocated workers, who were defined as people at least 20 years old, with at least three years of job tenure, who had lost or left their jobs between January 1981 and January 1986 due to plant closings, employers going out of business, slack work or the abolishment of their positions or shifts. Based on this national DWS data, the BLS estimated that 103,000 Minnesotans were dislocated between January 1981 and January 1986. Using the BLS formula and DWS dislocated worker definition to calculate an estimate for calendar year 1986, one estimate of dislocated workers in Minnesota is illustrated below:

TABLE 1
Minnesota Dislocated Workers 1981-1986

<u>Year</u>	<u>Dislocated Workers</u>
1981	17,000
1982	25,500
1983	25,500
1984	18,000
1985	<u>16,900</u>
Subtotal	103,000
1986 Est.	<u>16,500</u>
Total	119,000

These figures represent an average of 19,833 Minnesota dislocated workers per year.

The DWS analysis further indicated that 76,000 or 74 percent of the 103,000 dislocated workers found new jobs by Jan. 1, 1986, 16,000 or 15.5 percent remained unemployed, and 11,000 or 11 percent were no longer in the labor force. While 74 percent may seem a relatively high re-employment rate, this number is misleading. Many of the re-employed workers did not return to jobs with income levels comparable to the jobs they had before they were dislocated. An estimated 10.3 percent of the re-employed dislocated workers returned to part-time jobs, another 10.3 percent had earnings ranging from 0-20 percent lower than their previous earnings, and 22.6 percent had earnings that were 20 percent or more below previous earnings. Assuming that those people re-employed in part-time employment would prefer to work full time, as many as 44 percent of the re-employed dislocated workers could be considered to be underemployed.

In addition, not all of the 11,000 dislocated workers who left the labor force did so through voluntary retirement. Extrapolations from national data indicate that approximately half of the people are "discouraged workers" -- people who would like to have jobs but withdraw from the labor market as a result of discouragement over their re-employment prospects.

Table 2 illustrates that about 53 percent of the 103,000 people dislocated between January 1981 and January 1986 remained either unemployed, underemployed or had become discouraged workers and fallen out of the active labor force as of January 1, 1986. While these numbers are rough estimates and should be used with caution, they do offer an approximation of the economic circumstances of Minnesota workers dislocated between Jan. 1, 1981 and Jan. 1, 1986.

TABLE 2 Dislocated Workers January 1981-January 1986

Unemployed	16,000
Underemployed	33,000
Discouraged Workers	<u>4,900</u>
Total	53,900

Permanent Mass Layoff and Plant Closing File

The Permanent Mass Layoff and Plant Closing (PMLPC) survey is a federal-state program which uses an automated approach to identifying and tracking some major job cutbacks, using data generated by the state's unemployment compensation files. This survey identifies all employers against whom at least 50 initial claims have been filed in a three week period. If it can be determined by telephone follow-up that the layoff is permanent, employers are classified by industry and location and detailed socio-economic characteristics of the affected workers are noted.

The major drawback with this information is that nearly 95 percent of all Minnesota employers have fewer than 50 employees and thus are not included in the survey. Additionally, some firms with more than 50 employees will not be included if the employees are not laid off and file unemployment compensation claims in groups of at least 50. For example, it is not unusual for a plant closing or mass layoff to occur over a period of several months or a year, and such dislocation would not be picked up by the PMLPC data. Therefore, while these

data do represent the extent of certain kinds of dislocation, they do not describe all of the dislocation that is occurring in Minnesota.

Despite these drawbacks, the PMLPC data do provide some useful insight into the extent of certain types of dislocation. The survey shows that between July 1986 and December 1987 a total of 5,677 workers from 31 employers were identified as casualties of mass layoffs with no expectation of recall. A total of 5,460 of these workers were Minnesota unemployment compensation claimants.

PMLPC Worker Characteristics:

* The vast majority of the workers were white (96 percent), most were male (72 percent), and nearly 90 percent were at least high school graduates.

* PMLPC claimants tend to be older than the total claimant population: 44.8 percent of this group were over 39 years of age, compared to 32.4 percent of the total claimant group.

* Twenty-two of the thirty-one layoff events occurred in the Twin Cities, but the majority (59 percent) of the claimants lived outside of the Twin Cities area.

EMS/McGraw-Hill Survey

Because of the limitations of both the BLS and the PMLPC data, the Department of Jobs and Training recently funded a survey conducted by an outside consultant -- EMS/McGraw-Hill -- to shed some light on this subject. The survey was a statewide random telephone survey which contacted 9,400 households and interviewed 522 dislocated workers in November 1988. Because this survey is specific to Minnesota and is not tied to artificial program parameters or constraints, it offers useful and reliable information in terms of profiling Minnesota dislocated workers.

The survey projected that approximately 24,000 Minnesota workers were dislocated from their jobs during the twelve-month period of July 1, 1987, and June 30, 1988. Additionally, it found that the preponderance (60 percent) of workers were male, as demonstrated in Table 3, compared with approximately 55 percent of workers overall who were male. It further indicates that dislocated workers are more likely to be male than are their non-dislocated counterparts.

Table 4 demonstrates that workers whose jobs are in Greater Minnesota are more likely to become dislocated than are workers in the Twin Cities. Every region in Greater Minnesota, with the exception of the Central Region, experienced a larger share of dislocation than its employment share. In contrast, the distribution of dislocation in the Twin Cities area was smaller than what would have been expected given its employment share. (See map, page 13.)

The survey found that Minnesota dislocated workers are relatively stable, long-term, permanent and full-time members of the labor force. The workers were dislocated from jobs that they held for about eight years. These were full-time jobs: an average of 91 percent worked full time.

TABLE 3
Minnesota Workers By Gender

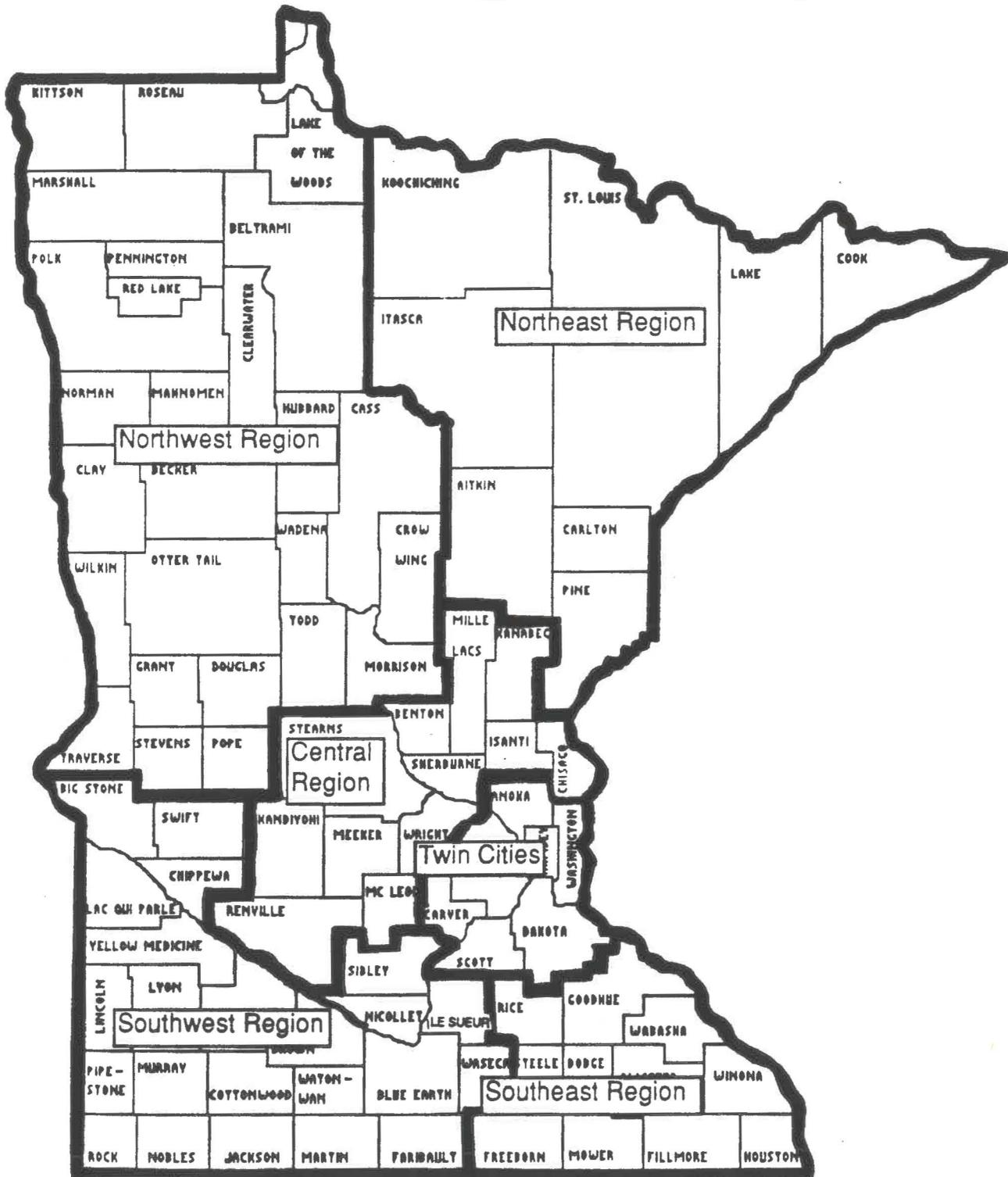
Gender	% Dislocated Workers	% All workers, including non-dislocated workers*
Male	60.2	55.1
Female	39.8	44.9
Total	100.0	100.0

*Source: U.S. BLS *Geographic Profile of Employment and Unemployment, 1988*

TABLE 4
Regional Distribution of Overall Employment and Dislocation

Region	% Overall Employment	% Dislocation
Northwest	7.2	10.2
Northeast	5.5	8.4
Central	7.9	7.6
Southwest	6.8	11.5
Southeast	8.6	9.8
Twin Cities	63.9	52.5
Total	100.0	100.00

Minnesota Employment Projection Regions



Such employment stability is not apparent when the post-dislocation job characteristics are analyzed. Surprisingly, of the 69 percent of dislocated workers who were able to find new jobs, only 75 percent were able to obtain full-time jobs. As shown in Table 5, females had an especially difficult time finding full-time work: only 65 percent of those who found jobs were able to do so, compared with 82 percent of their male counterparts.

Table 6 demonstrates the overall decline in income experienced by the workers who have become reemployed. It shows that overall earnings have declined by approximately 25 percent between the dislocated worker's pre- and post-dislocation jobs. Median wages declined from \$20,000 in the old jobs to \$14,500 in their new jobs, a figure that is just barely over the poverty level for a family of four.

Exacerbating the earnings drop is the commensurate drop in benefits experienced by many dislocated workers. As Table 7 illustrates, approximately 63 percent of dislocated workers surveyed had medical benefits prior to their dislocations, while only 49 percent had them in their new jobs. The decline was at least as large for other types of employee benefits.

Finally, the survey found that approximately 31 percent of dislocated workers were unable to obtain any new employment.

TABLE 5**PRE-DISLOCATION HOURS WORKED**

Category	All Dislocated Workers		Distribution by Gender			
	Freq.	Percent	Male		Female	
			Freq.	Percent	Freq.	Percent
Full-time	465	91.5	292	96.1	173	84.8
Part-time	43	8.5	12	3.9	31	15.2

**Hours Worked by Currently Employed
Dislocated Workers**

Category	All Dislocated Workers		Distributed by Gender			
	Freq.	Percent	Male		Female	
			Freq.	Percent	Freq.	Percent
Full-Time	268	75.5	183	81.7	85	64.9
Part-Time	87	24.5	41	18.3	46	35.1

TABLE 6
WORKERS' YEARLY WAGES--BEFORE AND AFTER DISLOCATION

OVERALL WAGES	Before Dislocation		After Dislocation	
	Frequency	Percentage	Frequency	Percentage
\$10,000 or less	48	10.3	85	27.0
\$10,001-\$20,000	190	40.7	158	50.1
\$20,001-\$30,000	152	32.5	57	18.1
\$30,001-\$40,000	47	10.1	10	3.2
\$40,001-\$50,000	17	3.6	4	1.3
Over \$50,000	13	2.8	1	0.3
Total	467	100.0	315	100.0
Mean	\$22,271		\$15,430	
Median	\$20,000		\$14,560	

BY GENDER WAGES	Before Dislocation				Upon Re-employment			
	Male		Female		Male		Female	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
\$10,000 or less	20	7.1	28	15.1	38	19.0	47	40.9
\$10,001-\$20,000	85	30.2	105	56.5	102	51.0	56	48.7
\$20,001-\$30,000	109	38.8	43	23.1	49	24.5	8	7.0
\$30,000-\$40,000	39	13.9	8	4.3	7	3.5	3	2.6
\$40,001-\$50,000	17	6.0	0	0.0	4	2.0	0	0.0
Over \$50,000	11	3.9	2	1.1	0	0.0	1	0.9
Total	281	100.0	186	100.0	200	100.0	115	100.0
Mean	\$25,747		\$17,019		\$16,835		\$12,987	
Median	\$22,880		\$15,600		\$15,600		\$12,000	

**TABLE 7
FRINGE BENEFITS**

BENEFIT	Before Dislocation		After Dislocation	
	Frequency	Percentage*	Frequency	Percentage*
Medical	327	62.6	176	49.0
Life Insurance	251	48.1	109	30.4
Dental	210	40.2	84	23.4
Vacation	326	62.5	173	48.2
Holiday	311	59.6	157	43.7
Pension	234	44.8	88	24.5
Other	49	9.4	23	6.4

*Percentages across items will not add to 100 because workers could select more than one response. Percentages in the "After Dislocation" column are based upon the number of workers who were re-employed at the time of the interview.

BENEFITS	Before Dislocation				Upon Re-employment			
	Male		Female		Male		Female	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Medical	197	62.7	131	63.0	112	49.6	64	48.1
Life Insurance	148	47.1	104	50.0	72	31.9	37	27.8
Dental	122	38.9	89	42.8	53	23.5	31	23.3
Vacation	193	61.5	134	64.4	102	45.1	71	53.4
Holiday	180	57.3	131	63.0	92	40.7	65	48.9
Pension	143	45.5	92	44.2	53	23.5	35	26.3
Other	29	9.2	20	9.6	11	4.9	12	9.0

*Percentages based on the 226 male and 133 female respondents who were re-employed at the time of the interview.

This is obviously an extremely high rate of unemployment. Interestingly, 52 percent of the unemployed workers reported wanting assistance to find employment and 40 percent of the employed workers reported wanting assistance to obtain better employment.

Worker dislocation is a problem in Minnesota. However, Minnesota is not the only state to experience worker dislocation. One estimate is that up to six percent of the nation's labor force has been dislocated since 1981 (Levy). What does distinguish the states from each other is their response to worker dislocation.

TABLE 8
EMPLOYMENT STATUS OF DISLOCATED WORKERS

Employment Status	Overall Distribution		Distribution by Gender			
	Frequency	Percent	Male		Female	
			Frequency	Percent	Frequency	Percent
Currently Unemployed	163	31.2	88	28.0	75	36.1
Currently Employed	359	68.8	226	72.0	133	63.9
If unemployed, does the worker want assistance to obtain employment?						
YES	79	52.3	46	54.8	34	50.0
NO	72	47.7	38	45.2	34	50.0
If employed, does the worker want assistance to obtain better employment?						
YES	133	40.9	86	41.7	47	39.5
NO	132	59.1	120	58.3	72	60.5

CURRENT PROGRAMS FOR DISLOCATED WORKERS: STRENGTHS AND WEAKNESSES

JOB TRAINING PARTNERSHIP ACT TITLE III AND ECONOMIC DISLOCATION WORKER ADJUSTMENT ASSISTANCE ACT

Although at first glance it appears that the state offers numerous programs to serve dislocated workers, careful analysis demonstrates that only one program is directly targeted at dislocated workers. This program is a federally funded, state-administered program known as Title III of the Job Training Partnership Act (JTPA).

Title III has operated in Minnesota since 1984 and has had a very good reputation in terms of responding to large plant closings and mass layoffs. However, it never has been adequately funded, and thus never has been able to serve the small and medium-sized plant closings and mass layoffs or to serve workers who were dislocated on an individual basis. This is because state policy has directed the scarce dollars exclusively toward major layoffs and plant closings, using a Request for Proposal (RFP) process implemented through the Governor's Job Training Council. Within this limited scope the program has been very successful in responding to dislocated worker needs.

Despite this success, the program is beginning to undergo significant modifications which affect its ability to help dislocated workers. This is because Congress has recently replaced Title III with a new program: the Economic Dislocation Worker Adjustment Assistance Act (EDWAA). This program contains significant changes in the delivery structure which mandates that 50 percent of the dollars be allocated directly to substate areas under conditions that emphasize serving individual dislocated workers, 40 percent held by the state for rapid response to plant closings, and 10 percent used for local area distribution on the basis of need.

Consequently, the state's ability to respond to plant closings and mass layoffs has been diminished significantly. Theoretically, the state has gained some ability to respond to individual dislocated workers; however, the new funding distribution formula and the lack of flexibility has meant that Minnesota no longer will have the ability to quickly respond to communities and workers facing the crisis of large-scale worker dislocations. This is particularly a problem for small, outstate communities whose limited public resources and constrained local labor markets result in potentially devastating consequences when a major employer closes.

OTHER PROGRAMS

The Commission reviewed a number of other programs related to dislocated workers. While extensive analysis of these programs is beyond the scope of this report, it is useful to briefly review them here. (See Appendix II, page 33.)

Trade Adjustment Assistance (TAA)

This federally funded program targets those workers who lost their jobs due to the impact of foreign imports. Assistance includes basic weekly benefits (after exhaustion of regular insurance), income support while in approved training, and other general benefits such as job counseling, placement services, tuition and relocation expenses. The program's strengths lie in the variety and type of assistance available.

Unfortunately, TAA has never been a reliable source of readjustment assistance for dislocated workers. This is primarily because its scope is very limited since it only applies to those workers certified by the U. S. Department of Labor as having been directly affected by imports. Historically, it has been rather difficult to obtain such certification, and the certification process itself is very slow and cumbersome. Hence, relatively few Minnesota dislocated workers have been TAA certified and the program never has been considered a major source of assistance.

Job Service

This program is funded by the federal government for the purpose of providing a labor exchange to be utilized by both workers and employers. The Job Service offers a computerized job search system, including a resume bank which has systematized the placement process.

While the Job Service has a good record serving certain types of unemployed workers, especially in certain geographic areas, its budget has been reduced significantly during the last eight years, and currently it is not equipped or staffed to offer comprehensive job placement services to everyone. This poses a particular problem for large groups of dislocated workers located in isolated areas, since the small Job Service staff can be quickly overwhelmed by a major plant closing or mass layoff event.

Unemployment Compensation

The Unemployment Insurance (UI) system is designed to provide workers who lose their jobs through no fault of their own with temporary income replacement for up to 26 weeks. This system provides crucial assistance to thousands of dislocated workers by providing them with income during the period in which they are searching for a replacement job. Clearly, this program is designed as a stop-gap emergency measure to maintain family income during a brief crisis period. It is not designed for long-term retraining or other readjustment assistance.

Education and Economic Development Programs

Minnesota has a wide variety of education and economic development programs that can, in a broad sense, be construed as assisting dislocated workers. For example, Minnesota's Technical Institutes (TIs) and community colleges have enrolled many dislocated workers in retraining programs. These are not necessarily programs that are specifically designed for dislocated workers, however, and these institutions generally lack independent financial means to directly support the worker's training efforts. Most workers must locate separate funding sources to

cover the costs of their tuition. Therefore, while these educational programs are useful and necessary sources of retraining, they are inaccessible to workers lacking financial resources.

Similarly, economic development programs are not targeted specifically toward helping workers who have become dislocated. While economic development programs are an essential part of Minnesota's long-term economic well being, they are unable, in the short-run, to respond to workers who are dislocated from their jobs.

COMMISSION RECOMMENDATIONS

***The state should appropriate \$1 million per year to replace reduced federal JTPA Title III funds to be used at the state level to respond to dislocated workers as defined in the report who lose their jobs through no fault of their own due to plant closings and mass layoffs.**

Due to the significant changes in the structure of the federally funded dislocated worker program's delivery system (formerly known as JTPA Title III, currently known as EDWAA), the state's ability to respond to dislocated workers as defined in this report who lose their jobs due to plant closings and substantial layoffs has been diminished. For example, while Minnesota had approximately \$2.3 million available for such activities in PY 1988, only an estimated \$700,000, at most, will be available in PY 1989. This is occurring at a time when major plant closings and mass layoffs are continuing unabated, and poses a particularly difficult problem for small, isolated communities that lack sufficient resources to respond to the crisis on their own. A state appropriation of \$1 million per year will not completely replace the Title III funding that was lost, but it will provide an important source of assistance to many dislocated workers and their communities.

It is expected that these funds will be used primarily for intense shorter-term activities designed to get people dislocated by a plant closing or substantial layoff back to work as quickly as possible. Other programs, including EDWAA, JTPA and a variety of programs offered by vocational education institutes, community colleges and other educational institutions, should address the education and skill development needs of individuals who require longer-term assistance to become re-employable.

***Participants enrolled in the state-funded program should be eligible to receive UI benefits while enrolled in approved training,¹ as do those in the federally funded dislocated worker program.**

One of the key barriers which prevents many dislocated workers from entering into or successfully completing retraining programs is lack of financial support during the training period. Retraining can be an important determinant of a worker's ability to become re-employed. Currently, workers who participate in training under the auspices of the federally funded dislocated worker program are permitted to collect unemployment compensation benefits while in approved training. Correspondingly, workers enrolled in the state-funded dislocated worker program also should be permitted to collect unemployment insurance compensation benefits if they subsequently enter approved training.

***The state should appropriate \$100,000 per biennium to fund prefeasibility studies that could be conducted by communities in the event of a plant closing to explore possible alternatives to the closing that might save jobs.**

¹ "Approved training" refers to training as defined in Chapter 268, Minnesota Statutes.

Both in Minnesota and on the national level, response to worker dislocation usually has occurred on a reactive basis, after the dislocations have become reality. Thus, even under ideal circumstances the dislocation is costly and disruptive for workers, their families and their communities. A proactive strategy that the state could employ would be to fund pre-feasibility studies that could be conducted by communities, civic groups, unions or other organizations. These studies could quickly provide information as to possible alternatives for retaining the jobs, and possibly help prevent dislocation from occurring. Such alternatives might include finding a new local owner for the firm, establishing an employee stock ownership plan, or product conversion. The pre-feasibility studies do not represent fully developed business plans but rather represent a quickly implementable, proactive strategy for preventing dislocation and retaining jobs.

***Assistance and programs offered by State agencies and providers should be more effectively coordinated in order to provide one-stop services to dislocated workers.**

For dislocated workers facing the employment and training system for the first time, service options often can be confusing. It is important that all parties providing services to dislocated workers continue to keep the notion of inter-agency cooperation in the interest of serving the client at the forefront of their agendas. This notion has been a guiding principle in the design of Minnesota's new EDWAA service delivery model, in which the unemployment insurance office, the Job Service and the JTPA service providers have established a cooperative triangle to ensure that all dislocated workers are given services that are flexible, comprehensive and are appropriate to their individual needs. However, more is needed. Therefore, the Commission recommends that in providing rapid response assistance to workers dislocated by a plant closing or mass layoff, the Department of Jobs and Training should be given authority and responsibility wherever possible for organizing inter-agency assistance on-site or nearby in order to create a single location where workers can receive one-stop assistance from all the agencies and other providers involved. Wherever possible, the state's role should be to supplement the efforts organized by the management and employee representatives of the company involved and the local public and private community leadership.

***Performance standards should be established for the state-funded dislocated worker program. (These may be different than the federal performance standards).**

The federally funded dislocated worker program has established a number of performance standards that individual states are obligated to meet in order to continue implementing the program. While the idea of such standards is good, Minnesota need not limit itself to these standards in designing a state-funded dislocated worker program. The Governor's Job Training Council should establish whatever evaluation criteria might be necessary in order to measure the quality of services provided to dislocated workers in a way that is meaningful and pertinent to the Minnesota economy, labor market and unique set of circumstances among its dislocated workers. However, it is very important that such criteria do not undercut the program's ability to respond flexibly to special circumstances and particular needs of workers in different plant closings and mass layoffs.

***The Department of Jobs and Training should develop models or early warning systems to anticipate plant closings to allow for early intervention.**

Numerous studies of dislocated workers have emphasized the importance of early intervention as an effective means of assisting dislocated workers. With the recent passage of the federal mandatory early-warning plant-closing legislation, Minnesota will be in the position of receiving advance notice of large-scale plant closings. This information should be used in conjunction with other available data to devise an effective system of early warning. For example, models developed in other states include the tracking of firms in older or vulnerable industries to alert the state to a firm's impending demise, and to allow the offering of early assistance that might save the plant from closure. We also call upon statewide employer organizations and their local counterparts to develop a network for flagging problems that may lead to plant closings or mass layoffs in the hope that early intervention may alleviate them. This proactive strategy is based on the notion of saving jobs by preventing the dislocation from occurring. An additional benefit is that if saving the jobs proves to be impossible, the advance warning can be of vital importance to the workers and their communities in preparing for eventual dislocation. We would hope that similar employer networks would develop information on potential job openings for workers affected by plant closings and mass layoffs.

***Federal EDWAA funds must be obligated prior to obligating state funds.**

The state-funded dislocated worker program would serve to supplement the rapid response portion of the federally funded program. This portion, which is funded with 40 percent of the total federal allocation, should be completely obligated before using state-appropriated money to fund similar activities. Further, the state statute should contain a "carry-over" provision allowing that state funds that are obligated, but not spent during a year or biennium, be carried forth into the subsequent year or biennium without penalty. This type of provision is especially important for a dislocated worker program since workers who are dislocated during the last part of the year or biennium will not be able to enroll in services if the duration of those services (such as training), exceeds the end of the year or biennium. Without this provision such workers will be left without the ability to enroll in services until the start of the next year or biennium, causing a delay that is both unnecessary and harmful for workers trying to readjust after dislocation.

***Greater flexibility in scheduling, curriculum design and financial aids in basic and higher education for dislocated workers should be pursued.**

Dislocated workers who become students have different needs than do traditional students. For example, because they are older than other students their financial obligations tend to be greater since they may have house payments or families to support. Additionally, they may need special considerations in terms of flexible class scheduling and in curriculum design that gives them credit for knowledge they already possess. The educational system should build on its current efforts to utilize its vast resources in order to look beyond the needs of more traditional students so that dislocated workers face as few unnecessary barriers as possible

when attempting retraining or education. Each of the individual systems of higher education in Minnesota should prepare a specific list of recommendations and proposed solutions as to how they intend to respond to the needs of dislocated workers and other non-traditional students.

***The Legislature should grant the Department of Jobs and Training statutory authority to directly enter into approved contracts to serve dislocated workers without time-consuming delays that impede a rapid response.**

The current process that the Department of Jobs and Training must use in order to encumber contracts for dislocated worker projects is burdensome and can take up to two months to complete. During this period dislocated workers have no options but to wait while they watch their unemployment benefits slowly dwindle away. Allowing the commissioner of the Department of Jobs and Training the same authority to directly encumber contracts as has the director of the Technical Institute system would facilitate the process and allow a greater likelihood that the project will be successful.

LONGER TERM CONCERNS ABOUT WORKER DISLOCATION

This report has focused primarily on the immediate issues of how to respond to worker dislocation due to mass layoffs and plant closings.

In addition to this immediate problem, however, the Commission is persuaded that more thought and attention need to be given to the question of how to manage the inevitable changes workers face in the economy in ways that minimize needless human distress and maximize state and national competitiveness.

A number of factors, some cyclical and some which are systemic structural changes, are influencing the pace and scope of worker dislocation. Among these are rising global economic competition, rapid technological change, corporate takeovers and financial restructurings, the quality and effectiveness of the educational system and demographics. The resulting economic dislocation has been marked by both its persistence--regardless of general economic conditions of recession or recovery--and its pervasiveness, affecting virtually every sector of the economy from basic industry to hightech.

The globalization of the economy has had a profound impact on American workers and will continue to be a central fact of economic life well into the future. The emergence of post-war economies in Germany, Japan, France, England and other European countries, and, more recently, countries in the Pacific Rim, such as Korea, has meant that the United States has lost some of its share of the economic pie to other economies. This has also led to an expanding influx of foreign capital into our domestic economy, with some positive effects for U.S. employment. On the other hand, some of it has gone into financial markets where it has been used to finance hostile takeovers, LBOs and other restructurings---which have injured U.S. workers.

In a global economy, product superiority and productivity are necessary ingredients for successful competition and survival. Modern plant and equipment, technological superiority, rigorous quality control, and skilled and dedicated workers are all ways in which companies can compete while maintaining a high standard of living and steady employment for American workers.

Some U.S. industries, however, are finding it increasingly difficult to compete globally when confronted with cheap labor costs and other lower social costs of doing business in other countries. This is especially true in those industries where technological advances and a skilled work force do not play a significant role. As a result, these industries can be expected to shift production offshore or simply lose out altogether to foreign competition, with adverse consequences for U.S. workers. In other cases, it is not the nature of an industry that is the problem, but rather the failure of individual companies to keep pace with their competitors in technology, quality control, and modern and efficient production. They have seen their market shares eroded as others have provided superior products at competitive prices. This, too, has resulted in shifts or losses of U.S. employment.

Having withstood the initial onslaught of global competition and awakened to its challenge, it remains to be seen whether the United States in the future will be a net gainer or loser in the ongoing economic struggle. But it is clear that regardless of the overall effects, the dynamics at play will continue to create winners and losers, probably at an increasing pace.

In addition to global economic competition, there has been a major wave of financial restructurings, beginning in the mid-1980s. These were made possible by the confluence of a number of factors: the enormous increase in liquidity as capital flowed from around the globe into the United States, creating huge surpluses seeking investment opportunity despite a substantial federal deficit; the creation of junk bond financing, which attracted some of that capital by delivering fairly dependable and very high rates of return; the continued underevaluation of corporate assets by U.S. equity markets; a period of steady growth in corporate earnings accompanied by comparatively low interest rates; and gaps in both state and federal laws that made it possible for speculators to put companies into play and realize enormous short-term transactional profits. This activity, which almost invariably has led to acquisitions or defensive recapitalizations heavily financed by debt, has been paid for, in part, by the jobs of workers that were eliminated in order to create enough earnings to service the heavy debt that follows.

While this activity shows no signs of abating at present, it is unlikely that it can continue indefinitely. At some point, the factors that gave rise to it in the first place will no longer be present in the same combination that is needed to sustain it.

Technological change and the quality and effectiveness of the educational institutions will also have an important bearing on how well the changes facing workers are handled. Technology's impact is two-fold. First, it is important that the United States' traditional leadership in technology is not lost to other countries, as has already occurred in particular industries. You will be hard pressed today to purchase a television set or a VCR -- both standard household items -- that was not manufactured in Japan, and there are other examples as well. In order to prevent the loss of jobs and create the kinds of jobs needed, the U.S. must be aggressive in technological innovation and aggressive in applying that technology to commercial products, production processes and even services.

In order to provide good jobs at good wages for workers (who, in turn, create the demand that fuels economic growth), the development of high value-added products and services must be encouraged. A commodity which is sold as a commodity does not have any value added. However, a commodity which has been put through technologically advanced processing and sold as a finished product creates the wealth needed to sustain a high standard of living and quality of life. From a governmental perspective, increased wealth generates increased revenues with which to provide public services.

It is important to deal with the implications of the pace of technological change, which seems to increase in velocity with each passing year. To many in our society, a computer is still a somewhat alien and forbidding object. To their children, however, it is no more daunting than a telephone. They, in turn, will be called upon during their lifetimes to adapt to more frequent changes in technology as large in impact as the change that computers have wrought. In such a world, it

will not be possible to learn a trade or a skill in school and expect to practice it, mainly unchanged, for the balance of one's working life.

Workers will need far more adaptive learning skills than they are receiving in our educational system today. It is also likely that employers, either through cooperative arrangements or directly, will have to provide additional education and training to update and upgrade the skills of their workers. The challenge for an education system is to equip future workers with the basic tools needed to acquire higher order skills later in life, as well as starting them out with a higher level of competence in such basic areas as communication, reading, computation and science. The challenge for educators, employers, labor unions and public policy-makers is to assure ongoing access to educational resources for future workers--as well as for those workers currently in the work force with increasing needs for upgrading of their skills.

The rate of growth in the U.S. labor force will drop to one percent annually during the 1990s and beyond, from a high of 2.5 percent annual growth during the late 1970s. During the 1970s and early 1980s, the U.S. labor force absorbed unprecedented numbers of "baby boomers" and women into the work force. Today is the era of the "baby bust", and the female labor participation rate is projected to peak at about 60 percent in the late 1990s (the 1986 rate was 55.3 percent).

The end result of these trends is likely to be a relative labor shortage during the 1990s, compared to the surplus that existed during most of the 1970s. This trend bodes well for those, such as the handicapped, minorities, women, older workers and other dislocated workers, who found difficulty securing jobs in the past. However, it is by no means a foregone conclusion that these workers will get or retain those jobs, especially if they remain under-educated and untrained.

The issues of under-education and lack of training present difficult problems for the nation. Not only is the labor force contracting, but among workers 18 to 35, the percentage of minorities is growing and this trend continues in the school-age population. Additionally, school-age minorities are concentrated in major urban school systems, which are confronted with many serious problems which make teaching and learning exceptionally difficult. Yet this is the group that will occupy a growing share of the future work force. There are substantial issues of effectiveness and resources that must be addressed if the emerging work force is to become a significant participant in the country's economic future--to say nothing of the other costs to society if there is a failure to create meaningful opportunities for everyone to become productive citizens.

There are many reasons for both Minnesota and the United States to commit thought, effort and resources to managing these changes and their effects on workers, but two stand out. First, it is only right that attempts are made to mitigate the human distress suffered by those who have been loyal and productive workers and help them effect a transition to new employment with dignity and respect. Second, dislocated workers constitute a solid core of the country's valuable human capital--with work histories, skills and experience to build on--that can be re-deployed as the projected labor shortage occurs. Society cannot afford to waste this asset.

As you can see, the problems and changes confronting us are substantial. Some would urge that we simply let the marketplace deal with them. There is ample evidence to suggest that the economic self-interests of workers and employers will create adaptive responses to many of these problems, no matter how difficult and intractable they may appear. But by the time the invisible hand of Adam Smith catches up with all the changes that lie in store, we will have lost ground competitively and needlessly acquiesced in human and social disruption that could have been prevented with foresight, cooperation and planning.

This Commission takes a different view. We urge that public policy-makers, educators, business leaders and labor leaders collaborate with one another in shaping public policies and private responses to the trends and problems we have outlined above in order to better manage the inevitable changes that will occur. Common sense, good will and a shared concern for the public welfare will help us sort out the role of markets, governments and private initiative. We can do better -- and we should.

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Appendix I Public Hearing Witnesses and Affiliations

Mankato: September 14, 1988

Jack Quinlaven, Economic Development Specialist, Faribault Development Corp.
Vi Veta, Former Electro Craft Worker
Sue Bruss, Midland-Ross Task Force Member
Jim Abraham, Former Personnel Director Midland-Ross
Joe Kurtzman, Fairmont Chamber of Commerce President
Darlene Thiede, Former Armour Worker
Thomas Boch, Former Armour Worker
Day Hocke, City of Jackson, Economic Development Specialist
Keith Barnes, Farmstead Foods
Dorothy Fogelson, Former Swift-Eckrich Worker
Karen Straussen, Former Sperry Univac Worker
Mike Yanda, Swift-Eckrich Task Force Member

Twin Cities: September 21, 1988

Paul Burnquist, Former Amhoist Worker
Dave Foster, St. Paul Trade and Labor Assembly Amhoist Task Force Member
John Lennes, Minnesota Business Partnership
Rep. Wayne Simoneau, District 51, Proponent of Employee Stock Ownership
Larry Buboltz, Rural Minnesota Concentrated Employment Program, Director
Dr. Rosemary Park, University of Minnesota
Jeff Farmer, The Working Group on Economic Dislocation, Board Chair
Art Berens, Former Donaldson Company Worker
Dan Lovstad, Former FMC-Fridley Worker
Tom Nouis, Former FMC-Fridley Worker
Pete Rode, Minneapolis Urban Coalition, Research and Policy Director, and
Jobs Now Coalition Board Member
Mel Duncan, Center for Economic Conversion, Director
Bill Cossette, Former Northern Minnesota Resort Owner

Duluth: October 4, 1988

Governor Rudy Perpich, State of Minnesota
David Nasby, General Mills, Director of Community Relations
Dr. Jerold Peterson, University of Minnesota, Duluth, Professor
Bob Anderson, Boise-Cascade Corporation, Director of Community Relations
Lawrence Feldt, Former Steelworkers' Local President from Reserve Mining
Blake Peterson, University of Minnesota, Farm Credit Mediation Director
Dave Hasskamp, Aitkin County Growth, Director
Sheldon Fontaine, Former Steelworkers' Local President from Clyde Iron
Steve Korby, Former Personnel Supervisor at Clyde Iron
Jackie Docauer, Duluth Central Labor Body, Director of Community Services
Alex Chisholm, L & M Radiator Company, Owner
Tony Makela, Former Clyde Iron Worker
Mary Jo Anderson, U.S. Railroad Retirement Board
Steve Chadwick, Duluth Community Action Program, Director

COMPARISON TABLE FOR TITLE III, EDWAA, AND TAA

ELIGIBILITY	FOCUS	FEATURES	SERVICES	PROBLEM/UNMET NEED	POLICY	DATA
<p>TITLE III</p> <p>1. Mass Layoffs: unlikely to return to former job or industry 2. Plant Closure 3. Long-term un-employed unlikely to return to former job or industry with other barriers such as older workers 4. Self-employed farmers</p>	<p>A. Law: "substantial groups"</p> <p>B. State Policy: Target Plant or Industry Specific</p>	<p>A. Community Task Force B. Survey of workers: info on workers to respond to worker needs C. Ability to respond to closures throughout year D. Target hardest to serve E. Open RFP Process F. Early intervention G. Eligibility for unemployment insurance while enrolled in dislocated worker program H. Eligibility not dependent on income.</p>	<p>A. Job search assistance including job clubs B. Job Development C. Training in skills for which demand exceeds supply D. Supportive services, including assistance, financial or personal counseling E. Pre-layoff assistance F. Relocation assistance G. Program conducted in cooperation with employer or labor organizations for early intervention in the event of closures of plants or facilities</p>	<p>A. Insufficient funding B. Lack of income support upon exhaustion of unemployment insurance C. Length of training programs too short D. Lack of hard match E. Unable to meet small plant closing or isolated permanent layoffs F. Inability to deal with family unit G. Lack of advance notice H. Need for flexible vocational training: schedule, content, open entry and exit, class size, flexibility</p>	<p>None due to program termination</p>	<p>1987: \$2,010,014</p> <p>1988 Total: \$2,310,087</p> <p>People served in 1987: 4,812</p>
<p>EDWAA</p> <p>Same as above—displaced homemakers</p>	<p>A. Individual dislocation, small plant closings</p> <p>B. 60% of funds allocated to substate areas by formula</p>	<p>A. Rapid Response B. Locally based delivery system C. Mandated expenditure levels to avoid reallocation D. Certificate of continuing eligibility E. Warning legislation will provide advance notification in certain circumstances</p>	<p>A. Rapid Response Assistance: (State unit) -Information and emergency assistance -Promote formation of labor management committees and cost of start-up -Collect information on economic dislocation -Provide funds for preliminary feasibility study or buyout B. Basic Readjustment Services: (Local units) C. Retraining Services D. Supportive Services: (local) No funds for public employment jobs</p>	<p>A. Insufficient funds for all categories of dislocated workers B. Lack of flexibility in 1) cost category limits, 2) limitations, 3) less ability of state to direct resources to meet emergencies/crisis C. Almost no resources for plant closures or mass layoffs D. Inability to deal with family unit E. Lack of health care F. Need for flexibility in vocational training G. Process of transition</p>	<p>A. State appropriation of supplemental funds to support plan or industry specific projects B. Maintain current administrative structure, procedures and features C. Provide income support for dislocated workers D. Extended services to family units E. Seek ways of making training systems more flexible by providing training on weekends, evenings, locations other than school, class size, flexibility, open entry and exit, content, life experience credit F. Lack of cooperation of past employers G. Seek ways to make employer information available to projects</p>	<p>1989 Proposed Funds: \$2,000,000</p>
<p>TAA</p> <p>Trade impacted workers as determined by US Dept. of Labor</p>	<p>Only those workers determined to be directly impacted by foreign trade</p>	<p>A. Application and certification process B. May provide income support C. Can provide long-term training D. Coordination with EDWAA E. State does not receive fixed annual grant</p>	<p>A. Training Readjustment Allowance (TAA) B. Training C. Relocation D. Job Search Allowances E. Reemployed Services</p>	<p>A. Very limited scope B. Undependable source of funds C. Determination of eligibility often several months following layoffs</p>		<p>FY 1987: Oct. 1, 1987 to Sept. 30, 1980 TRA: \$1,026,290 Training: 114 Job Search Allowance: 95 Allocation 134 TAA: \$3,190,000 Initiated TAA Allowances: 219</p>

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