

U.S Support of Large Employers to Help Mitigate Major Layoffs

Presentation to:
OECD/LEED Capacity Building Seminar:
Routes out of the Crisis—New Strategies for Skills and Employment

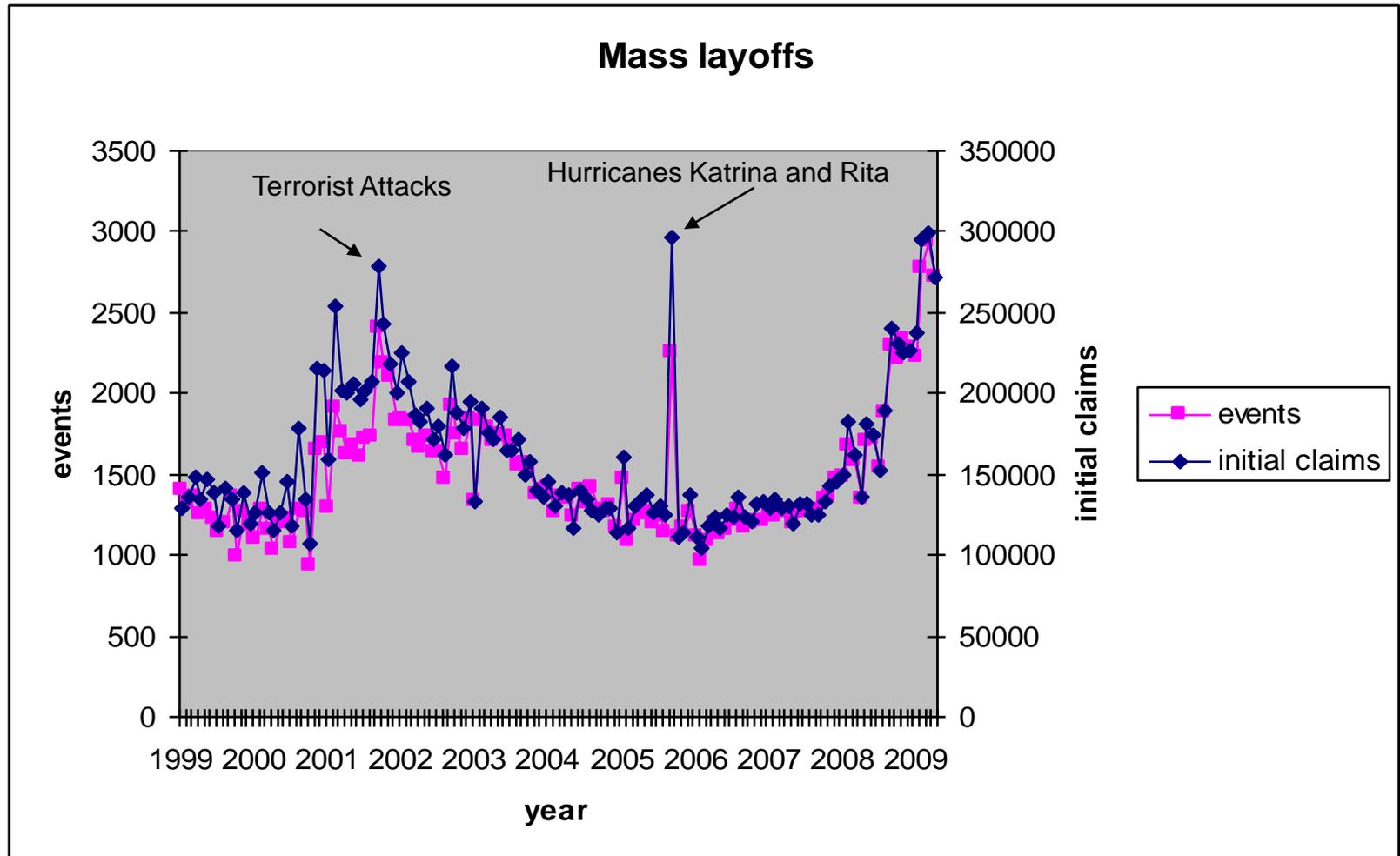
Randall W. Eberts
W.E. Upjohn Institute for Employment Research

10-12 June, Trento Italy

Purpose

- Highlight the efforts by the US government to prevent layoffs by large employers
- Focus on the financial support the government has provided to the financial and auto sectors
- Summarize federal programs to retrain workers
- Highlight voluntary measures by businesses to cut costs

Mass layoffs hit a 10-year high in the early months of 2009. From December 2007 to April 2009, the total number of mass layoff events totaled 34,126, and the number of initial claims was 3,498,427.

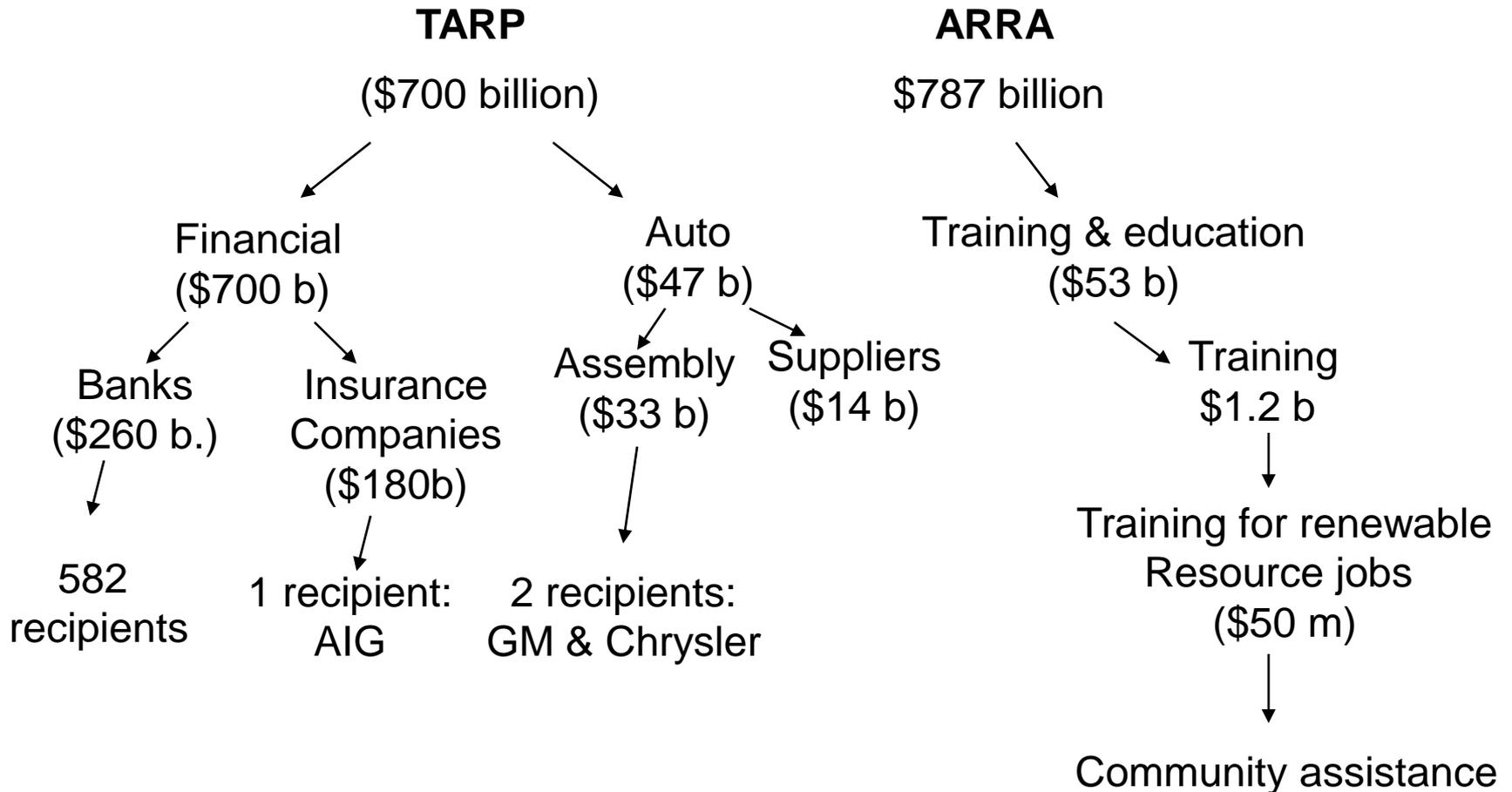


A Mass layoff event is an action involving at least 50 employees from a single employer.

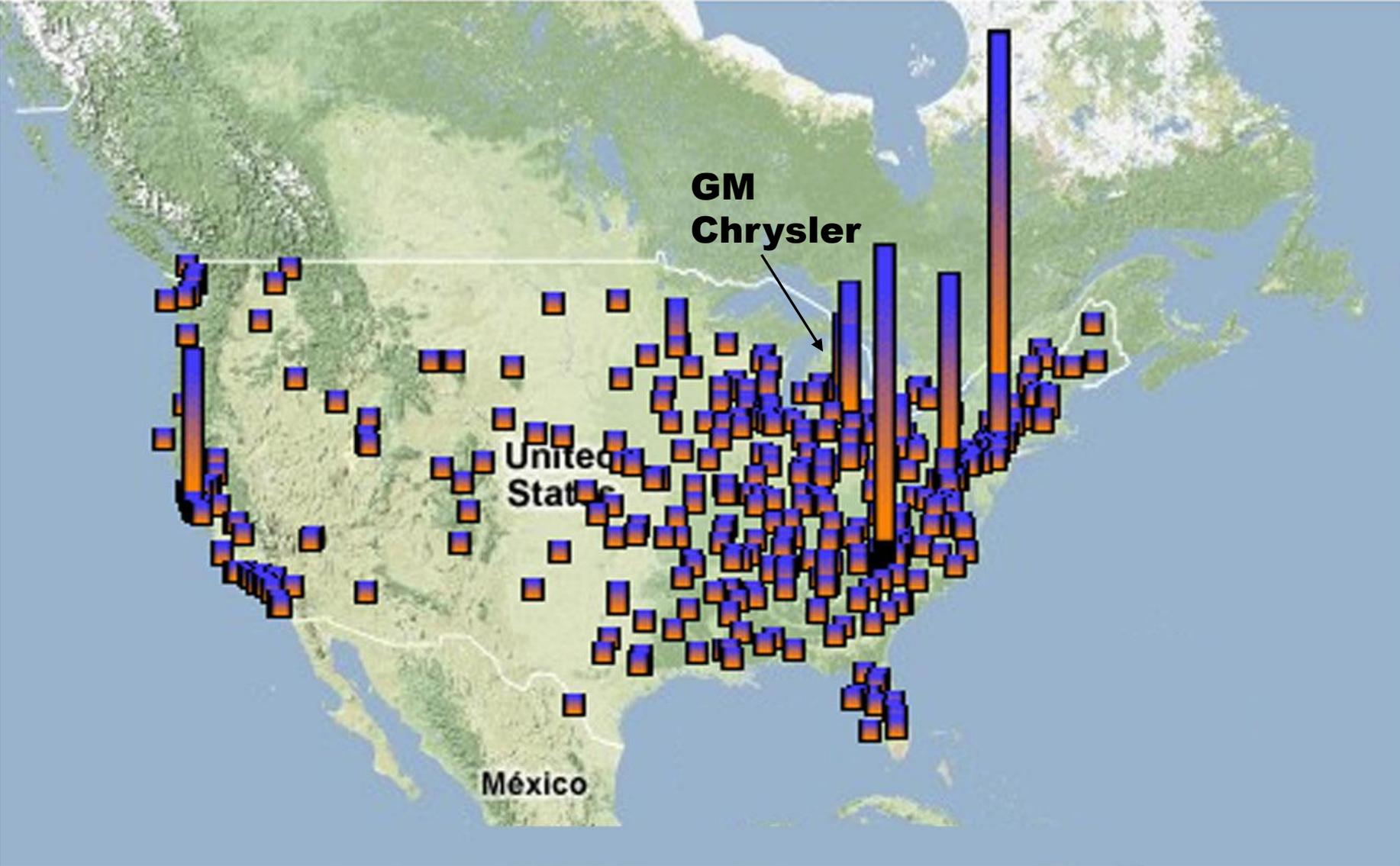
“Too Connected to Fail”

- The US recovery program, particularly as it relates to large companies, is based on the premise of systemic risk—“too connected” to the economy to let fail
- If they were allowed to fail, then it is assumed that a domino effect will occur, wreaking much greater havoc on the economy and presumably costing the economy and society more than the price of the bailout
- The US recovery program has committed more than \$1.8 trillion to this effort
 - TARP (The Emergency Economic Stabilization Act): \$700 billion
 - ARRA (American Recovery and Reinvestment Act): \$787 billion

Recovery Programs



Geographic Distribution of Bailout Money

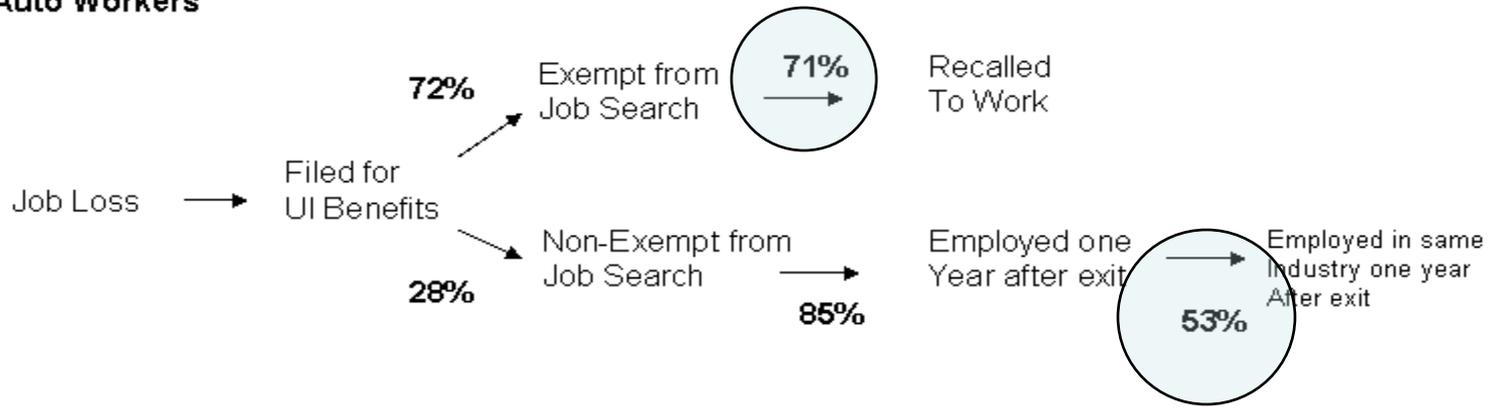


General Motors

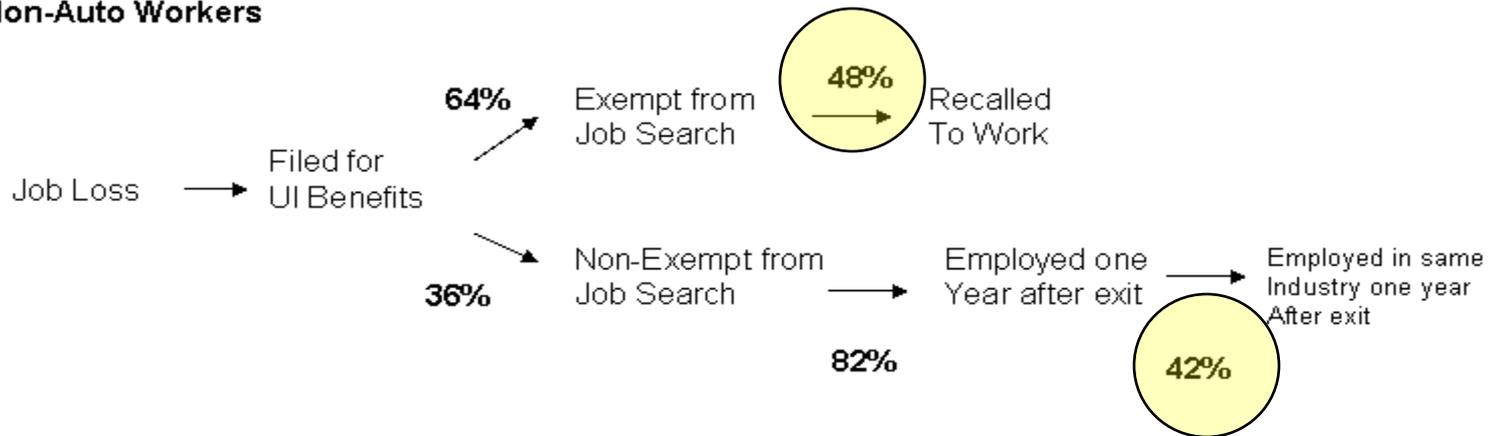
- Received \$20.3 billion (+ another \$30 billion to come)
- Even with the bailout, expect a 34-40% reduction in the workforce
- Worldwide payroll: \$18 billion (2007)
 - Hourly Payroll in US: \$6.2 billion
- Worldwide employment: 264,000
 - GM North America: 139,000
 - US hourly: 62,000
 - GM Europe: 57,000
- \$20.3 billion
 - Per total worldwide employment (264,000): \$77,000
 - Per total US hourly workers (62,000): \$327,000
 - Per total US hourly workers after cuts (38,000): \$534,000
 - Per total US employment (~120,000): \$169,000
 - Per total US employment after cuts (~79,000): \$257,000
- US hourly worker average annual earnings: \$127,000

Transition for Job Loss to Reemployment

Auto Workers



Non-Auto Workers



Cohort 2001 Michigan UI Applicants

Source: UI administrative records

For those workers not returning to familiar jobs, can training provide them with the skills necessary to get and retain a different job?

Training Initiatives

- \$1.4 billion for training (Dept. of Labor)
- Increased numbers of dislocated workers served
- Training will be a significant area of focus
 - Occupational skills training
 - On-the-job training
 - Programs that combine workplace training and related instruction, including:
 - Apprenticeship
 - Training programs operated by private sector
 - Skill upgrade and retraining
 - Entrepreneurship training
 - Job readiness, adult education and literacy training
 - Customized training
 - Enter into contracts with institutions of higher education to facilitate training of multiple individuals in high-demand occupations

Training Results

- The National JTPA Evaluation (1987-89) examined the effects of training, both on-the-job (OJT) and classroom training (CT), on earnings for several groups of participants
- Both classroom training and OJT result in higher earnings for participants, which is consistent with acquiring additional skills and human capital
- The overall result is that on-the-job training along with job search assistance was more effective in raising earnings of participants than classroom training
- Results show that adult women benefited from training more than adult men, and that welfare women benefited from training more than women overall
- Results show that neither type of training raised earnings of youth
- Evidence from another study, using regression, shows that community college training in math and science yields the greatest earnings gains

Other Measures

- Alternative energy initiatives
 - Michigan is pursuing this approach
 - Specific training for renewable resource jobs
- Help auto-dependent communities with restructuring to become more diversified
- Voluntary work sharing
 - A few states have work-sharing policies but not widely used or financially supported
 - Some companies and even state governments have asked all workers to take mandatory uncompensated days off, to cut costs

Results of the Recovery Effort

- Too soon to tell for current programs
- Know how training has helped workers in the past
 - But need to have jobs to fill, and currently the unemployment rate is nearing 10 percent and could continue to climb
 - Estimates show that a 1 percentage point increase in unemployment rates lowers the possibility of dislocated workers finding jobs by 1.2%

Summary

- Federal government has committed unprecedented sums of money to bailout businesses in order to stabilize key industries and to save jobs
- The \$787 billion ARRA is intended to save 3.1 million jobs, or \$254,000 per save job
- The \$700 billion TARP is intended to stabilize the financial sector, and thus the entire economy
- The \$80+ billion auto recovery program is intended to rescue the auto industry, but even the most optimistic scenario calls for significant job cuts
- Traditional training programs have been bolstered by the ARRA to help retool auto workers and other displaced workers to qualify for emerging industries, such as “green jobs.”
- Other voluntary measures, such as work sharing, is also being pursued
- Too soon to assess the results of these measures, but most agree that without these measures the cost to the economy in lost jobs and slow future growth would be much greater

Contact Information

Randall Eberts

W.E. Upjohn Institute for Employment Research

300 South Westnedge Ave.

Kalamazoo, MI 49007

269-343-5541

eberts@upjohn.org