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WORKER RELOCATION ASSISTANCE:
MOVING PEOPLE TO JOBS

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ABSTRACT

One characteristic of the dislocated worker problem is that a mismatch exists between the number and kinds of jobs offered by employers and the number and kinds of skills possessed by workers in the same geographic area. At the same time, other geographic areas have unfilled job openings and relatively low unemployment rates. Government-assisted worker relocation is one tool of employment policy that might be used to reduce these regional imbalances in labor supply and demand. This report describes the U.S. experience with both unassisted and Government-assisted worker relocation. It examines the applicability of this experience to the current dislocated worker problem, as well. In addition, the report evaluates the feasibility of establishing a nationwide worker relocation program.

CONTENTS

ABSTRACT.....	iii
INTRODUCTION.....	1
LABOR MOBILITY ACROSS GEOGRAPHIC AREAS.....	5
The Decision to Migrate.....	5
The Choice of Destination.....	8
The Outcome of Unassisted Migration.....	9
WORKER RELOCATION PROGRAMS IN THE U.S.....	11
Experience Under the MDTA.....	11
Eligibility criteria.....	11
Relocation assistance.....	12
Program operation.....	12
Program outcomes.....	14
Experience Under the JSRA Pilot Project.....	16
Eligibility criteria.....	17
Relocation assistance.....	17
Program operation.....	18
Program outcomes.....	19
Experience Under the Trade Act of 1974.....	20
THE FEASIBILITY OF ESTABLISHING A NATIONWIDE WORKER RELOCATION PROGRAM...	25
Is the Federal Government the Most Appropriate Initiator of such a Program?.....	25
Has Experience with Relocation Programs Demonstrated that They Promote Mobility among Groups Generally Reluctant to Move?.....	27
Would a Relocation Program Produce a More Rational Migration of Labor?.....	28
Would a Nationwide Labor Mobility Program Reduce Unemployment?.....	31
Conclusion.....	32

WORKER RELOCATION ASSISTANCE: MOVING PEOPLE TO JOBS

INTRODUCTION

The feasibility of using worker relocation assistance to promote labor mobility and thereby reduce unemployment has been studied for many years through small-scale demonstration projects. Pilot projects were authorized for this purpose in the 1963 amendments to the Manpower Development and Training Act (MDTA) of 1962. Congress appropriated separate funds for these programs through 1969, after which MDTA general funds for demonstration projects were used to continue several programs through the early 1970s. 1/ The idea of testing the potential of relocation assistance to reduce unemployment by matching the demand for labor in one area with the supply of labor in another was revived in 1976. The Job Search and Relocation Assistance (JSRA) pilot program was intended to determine whether it would be operationally possible and cost effective to extend such a program nationwide. 2/

In addition to these feasibility studies, worker relocation assistance has been offered on an ad hoc basis as part of some reemployment programs. Those programs providing relocation aid were developed in response to specific events that created imbalances between the number and kind of jobs offered

1/ U.S. Department of Labor. Manpower Report of the President, U.S. Govt. Print. Off., Washington, D.C., 1971, pp. 136-137.

2/ U.S. Department of Labor. Employment and Training Report of the President, Washington, D.C., 1979, pp. 200-201.

by employers and the number and kind of skills possessed by workers in particular areas, industries, or occupations. For example, following a mass layoff of copper miners in the Butte-Anaconda area, the Montana State Employment Security Commission used MDTA funds to help unemployed workers relocate to other States where their skills were in demand. 3/ The Montana agency also provided financial and other relocation assistance to construction workers employed at an anti-ballistic missile site in the Great Falls area. These workers lost their jobs due to a United States-Soviet Union agreement that limited the number of strategic missile bases. 4/ Similarly, relocation aid was provided in a nationwide program aimed at aerospace engineers, scientists, and technicians unemployed by defense spending cutbacks during the early 1970s. 5/ Other events prompted Federal legislation offering relocation assistance to certain groups of workers adversely affected by Government actions. 6/ Workers currently eligible for such assistance are those who have lost jobs due to liberalization of trade laws, expansion of national parks, railroad reorganizations, and airline deregulation.

Over the past several years, a number of events have come together--increased foreign competition, the introduction of labor-saving technology, changed consumer preferences--that also have caused more dislocations in some industries, occupations,

3/ Bureau of National Affairs. Montana ES Resettles Miners, Urges Expanded Mobility Efforts, Manpower Information Service, December 3, 1969, pp. 22-23.

4/ Bureau of National Affairs. ABM Workers to Receive Assistance, Manpower Information Service, July 17, 1972, p. 513.

5/ Bureau of National Affairs. VEST Aid to Engineers Expanded; Lovell Reports on Related Efforts, Manpower Information Service, January 5, 1972, p. 176.

6/ U.S. Congress. House. Report No. 96-49, Background Material on Federal Provisions for Special Employee Income Protection Programs and the Unemployment Insurance Program, 96th Congress, 2nd session, U.S. Govt. Print. Off., Washington, D.C., 1980, p. 1.

and geographic areas than in others. These events have led to the displacement of numerous workers in many of the Nation's basic industries (e.g., auto, steel, textile, and apparel manufacturing). Reduced demand for the products of declining industries has hurt employment in supplier industries (e.g., rubber, glass, mining) as well. Many jobs held by blue-collar workers in these industries (e.g., painters, welders, metal pattern makers; nonfarm laborers) have been permanently eliminated or substantially reduced in number. The skills of many dislocated factory workers no longer match those those required by employers generally or by employers in the local area. The geographic concentration of declining industries in the Midwest and Northeast has caused the regions' economies to suffer since dislocated workers collect unemployment insurance and welfare benefits; are increasingly unable to make mortgage, car, credit card, and other payments as their period of unemployment lengthens; buy fewer goods from local merchants; and pay less taxes to local and State Governments.

The dislocated worker problem can be defined in several ways, each producing a different estimate of its size. If dislocated workers are persons formerly employed in declining industries, then they numbered between 1.2 and 1.6 million in January 1983, according to the Congressional Budget Office (CBO). 7/ If, on the other hand, they are persons previously employed in declining occupations, CBO estimates that the number of dislocated workers ranged between 1.7 and 2.2 million in January 1983. 8/ An alternative, broader definition of the problem might count as dislocated workers all persons formerly employed in declining industries

7/ A declining industry was defined by CBO as one that recorded employment cutbacks between 1978 and 1981.

8/ A declining occupation was defined by CBO as one in which employment fell between 1977 and 1981.

as well as indirectly unemployed persons residing in a declining area affected by these industries. In its most recent estimate of the number of dislocated workers, the CBO did not calculate a figure corresponding with this definition. 9/

There are a variety of approaches that the Federal Government could use to help dislocated workers adjust to their changed economic situation. Title III of the Job Training Partnership Act of 1982 (P.L. 97-300) is aimed at alleviating the dislocated worker problem through relocation assistance, supportive services, job search and development activities, and/or retraining. 10/

This report will analyze the concept of moving workers to areas where jobs are available as one measure to assist dislocated workers and reduce regional unemployment. First, the characteristics of labor mobility across geographic areas, unassisted by Government intervention, will be discussed. Then, the experience of selected worker relocation efforts sponsored by the Federal Government over the years will be examined in detail. Their applicability to reducing unemployment among today's dislocated workers will be looked at as well. And last, the feasibility of establishing a nationwide worker relocation program at the present time will be explored.

9/ Congressional Budget Office. Strategies for Assisting the Unemployed, Washington, D.C., December 1982, pp. 59-60. An estimate corresponding to the industry-region definition of dislocated workers appears in an earlier CBO publication, Dislocated Workers: Issues and Federal Options, U.S. Govt. Print. Off., Washington, D.C., July 1982, pp. 33 and 38-39.

10/ For more information on JTPA see Spar, Karen. Job Training Partnership Act: Background and Description, Congressional Research Service, Washington, D.C., April 19, 1983.

LABOR MOBILITY ACROSS GEOGRAPHIC AREASThe Decision to Migrate

Generally, people who relocate offer economic and job-related explanations for their decision. 11/ When professional and other white-collar workers move, they often do so to increase earnings or to transfer within the same company. Middle-aged persons generally relocate for income-related reasons as well. Young adults, on the other hand, tend to migrate to find work or to avoid unemployment. Similarly, blue-collar workers, older workers, and less educated workers--when they are willing to relocate--do so to find work, avoid unemployment, or obtain steadier work.

Although unemployment is offered as one of the explanations for relocation, its effect on the decision to migrate is weak. 12/ Jobless workers are more inclined to migrate than employed workers. However, most do not match inclination with action. They may wait out the bad times or change occupations or industries rather than move. Misinformation about economic conditions elsewhere or financial inability to relocate also are explanations of why unemployment's impact on mobility is weak.

The relationship between unemployment and labor mobility is uneven, as well. 13/ It differs by occupational group. Unemployment-prone workers, such as blue-collar operatives and laborers, are less willing to move than white-collar workers when laid-off.

Personal characteristics can promote or inhibit an individual's decision to migrate. Age, along with its accoutrements, is one such factor:

11/ Morrison, Peter A. Migration from Distressed Areas: Its Meaning for Regional Policy, Rand Corporation, California, 1973, pp. 6-7.

12/ Ibid., p. 7.

13/ Ibid., p. 20.

Young people tend to change jobs more frequently, to be better educated, to have less job attachment because of pension plans and seniority rights, to have less investment in themselves and in physical capital, to have younger and fewer children, and to be single than their older counterparts--all of which contribute to higher rates of mobility among the young. 14/

Further, an older worker probably gains less financial benefit from moving than a younger worker given the relatively shorter accrual period of the older worker. By reducing the importance of economic inducements in the migration decision, increased age makes noneconomic factors (e.g., loss of family, friends, and familiar surroundings) more important.

As mentioned above, educational attainment also affects the propensity to move. Jobs that require a relatively high level of education often have a national labor market. 15/ To get a job and then to advance in a career almost compels individuals to move, unless they are willing to abandon their career aspirations.

Occupational group, related to educational attainment, is another factor influencing the relocation decision. 16/ Professional-technical workers have a relatively high level of education and compete in national labor markets which increases their probability of migration. Given the investment in education, professional-technical workers tend to be more attached to their careers and less willing to change occupations in order to remain in a particular geographic area. They thus would regard moving to avoid switching careers as a more acceptable choice than would members of other occupational groups who have not had to

14/ Kaufman, Jacob J. and John M. Sumansky. Manpower Planning, Occupational Education, and Labor Mobility, Center for Occupational Education, North Carolina, 1974, p. 31.

15/ Ibid., p. 32.

16/ Ibid., p. 33-34.

invest as heavily in education. The high cost of schooling incurred by professional-technical workers also would make them inclined to travel farther (and consequently pay greater relocation costs) when making a job-related move.

While investment in education promotes mobility, investment in property tends to inhibit mobility under certain circumstances. 17/ Homeownership in a declining area, for example, effectively raises the cost of moving since the house must be sold in a depressed, highly competitive market. To reduce this barrier to migration, Sweden offers its relocatees a grant equal to the loss entailed in selling the home. 18/ Should the relocatee purchase another house in the (presumably) growing area to which the family has moved, the cost of relocation is increased further since houses in the new area are likely to be higher priced than those in the area just left. In addition, the mortgage interest rate for the new house probably will be greater than for the relocatee's former home. 19/

Distance is another factor that influences the decision to move. 20/ The farther a worker must travel and haul household goods, the more expensive the move and the greater the barrier to migration. The more distant a geographic

17/ Bendick Jr., Marc and Judith Radlinski Devine. Workers Dislocated by Economic Change: Do They Need Federal Employment and Training Assistance? in National Commission for Employment Policy. Seventh Annual Report: The Federal Interest in Employment and Training, Washington, D.C., October 1981, p. 104.

18/ Reesman, Cilla J. and David R. Zimmerman. Worker Relocation 1965-1972: A Review of the Research and Operations Findings of MDTA Experimental and Demonstration Projects, Northern Michigan University, Michigan, 1975, p. 67.

19/ Bendick, Jr. Marc and Judith Radlinski Devine. Workers Dislocated by Economic Change, p. 104.

20/ Schnitzer, Martin. Regional Unemployment and the Relocation of Workers, Praeger Publishers Inc., New York, 1970, p. 180.

area, the less labor market information a potential relocatee initially will have about it and the more expensive it will be for the individual to get such information through job search activities.

The Choice of Destination

The decision to move is distinct from the selection of destination. In both cases, however, family and friends play a large role. Leaving one's relatives and friends is a noneconomic consideration in the migration decision. Friends and relatives are the chief source of information in making the destination decision. 21/

Relying upon advice from friends and family, however, will not necessarily produce an economically rational location decision. Another common practice, selecting an area to move to just because the relocatee knows people there, also is unlikely to yield the greatest possible economic gain for the individual. 22/

In both instances, the destination decision is based upon little or no labor market information. 23/ Merely because people live in a given area does not mean they have complete or accurate information on the job opportunities in that area. Their information on conditions in other geographic areas is apt to be even more scanty. Thus, the direction of labor mobility tends to be irrational. That is, people do not necessarily move to where they can achieve the greatest economic return.

21/ Pierce, Daniel O. and Melanie M. Sikes. Rural-Urban Migration Research in the United States, U.S. Govt. Print. Off., Washington, D.C., 1975, p. 14.

22/ Kaufman, Jacob J. and John J. Sumansky. Manpower Planning, p. 6.

23/ Pierce, Daniel O. and Melanie M. Sikes. Rural-Urban Migration Research, p. 14.

The Outcome of Unassisted Migration

The migration process can reduce the spatial imbalance of labor. Out-migration from declining areas can reduce the overabundance of labor and thereby lessen the competition for scarce jobs. 24/ Immigration to growing areas can reduce the number of unfilled jobs caused by labor shortages. As noted in the previous section on the choice of a destination, however, personal rather than economic considerations play a large role in where workers move. Therefore, while the migration process can act as an equilibrating mechanism, it tends to be inefficient in practice.

Rather than improving the situation of a declining area, outmigration may make matters worse for those who remain. 25/ The most mobile groups are an area's "best"--the young, well-educated, and highly skilled. After they have moved, the remaining labor force would be made up of proportionately more older, less educated, and lower skilled workers. Such a labor force is unlikely to attract new industries into the area to take up the slack created by the declining industries.

The areas to which workers move may experience migration-related problems as well. 26/ An increase in population would raise the demand for housing in the receiving area. Greater competition for the available housing supply could drive up rents for apartments or prices of homes. Prices of consumer goods in general might be forced up. If jobless workers first move to the receiving area and then look for employment, they may put a strain on the community's

24/ Morrison, Peter A. Migrating from Distressed Areas, p. 18.

25/ Ibid., p. 18.

26/ Schnitzer, Martin. Regional Unemployment, p. 5.

welfare and other social services until they find a job. They also will add to the number of persons to be served by area hospitals, schools, and other community facilities. If the rate of immigration is very high, then workers may come to outnumber jobs. ^{27/} A greater supply of labor also might exert downward pressure on the wages earned by workers in the receiving area. In addition, the greater supply of labor might reduce the employment opportunities of the receiving area's original residents, especially among the hard-to-employ.

In summary, migration can be described as a somewhat haphazard process. Economic realities, such as being unemployed in an area with few employment alternatives, should theoretically act as an incentive to migrate. However, they may be overridden by personal, noneconomic considerations. Even when economic realities prevail and the decision to migrate is made, personal, noneconomic considerations may produce a suboptimal choice of destination. Going beyond the relationship between the individual and migration, labor mobility has potentially positive and negative effects on both the areas that workers leave and the areas that workers settle in.

^{27/} Reesman, Cilla J. and David R. Zimmerman, Worker Relocation 1965-1972, pp. 42-43.

WORKER RELOCATION PROGRAMS IN THE U.S.Experience Under the MDTA 28/

Under the 1963 amendments to the Manpower Development and Training Act of 1962 (P.L. 88-214), demonstration projects were authorized to assess the effectiveness of reducing unemployment by encouraging migration through subsidized relocation. Although \$4 million was authorized through June 30, 1965, only \$1.3 million was appropriated. The 1965 amendments increased the authorization level to \$5 million in each subsequent year and appropriations were at about the same level. After several extensions, the experimental programs ended in the early 1970s.

Eligibility criteria

The legislation made relocation assistance available to involuntarily unemployed workers who did not have a reasonable expectation of finding full-time employment in their communities and who were able to obtain a firm job offer in another area. Guidelines established by the U.S. Department of Labor defined involuntary unemployment as being jobless through no fault of the worker, without work for 6 weeks or more regardless of reason for job loss, or belonging to a farm family with under \$1,200 in net annual income. Thus, the rural poor were explicitly covered while the urban poor were not. In addition, underemployed workers--those who took jobs at lower than their pre-unemployment skill and earnings levels or those working part-time due to economic reasons--were excluded from participation in the pilot projects.

28/ This section draws heavily on Fairchild, Charles K. Worker Relocation: A Review of U.S. Department of Labor Mobility Demonstration Projects, E.F. Shelley and Co. Inc., Washington, D.C., 1970; and Reesman, Cilla J. and David R. Zimmerman. Worker Relocation 1965-1972.

Relocation assistance

Funds were available for transporting relocatees, their families, and household goods; storing household goods for up to 30 days; and covering subsistence expenses incurred during the period of relocation. The 1965 amendments permitted greater flexibility in determining expenses that might be subsidized, such as helping in the purchase of a car or home in the receiving area. (Neither of these practices were common, however.) The 1965 amendments also permitted a greater use of grants relative to loans in subsidizing relocation expenses.

The cost of transporting workers and their families was fully covered. Moving of household goods was paid in full up to a weight limit of 2,500 pounds for single relocatees and 7,000 pounds for relocatees with families. For single relocatees, subsistence expenses were equal to the average weekly manufacturing wage; for families, the average weekly manufacturing wage was paid for relocatees as well as their spouses and half that amount for each additional family member up to four. This cap on subsistence payments, as well as the one on moving household goods, favored relocatees with smaller families.

Direct project expenditures totalled \$12.3 million, of which \$4.2 million went toward relocation allowances and \$8.1 million toward project administration. This represented an average project cost per relocation of \$867. Some \$294 of the average relocation cost was for allowances. Variations from this figure reflected the distance of the move and the characteristics of the relocatee. The average administrative cost of \$573 reflected job-related and supportive services.

Program operation

Of the 35 agencies that conducted pilot projects under the MDTA, 22 were State Employment Service agencies and 13 were contractors (e.g., universities).

Demonstration projects operated in 28 States. There were 61 projects undertaken between FY65 and FY68, 40 of which were carried out by State Employment Service agencies.

The pilot projects relocated 14,221 workers, including some 2,000 without relocation allowances. State Employment Service agencies relocated 10,196 workers, or nearly 72 percent of the total.

Subsidizing pre-employment interviews proved to be very worthwhile from a placement and cost point of view. The face-to-face contact between potential employer and employee increased the chance of obtaining a "good fit" between the two. In some cases, workers who accepted the job offer remained in the area after their interview and did not require further relocation assistance.

Provision of supportive services was a crucial component of the projects. This was the case because a large proportion of the relocatees were from rural, isolated areas, and they lacked familiarity with the urban lifestyle. The more skilled workers who relocated, however, were less in need of post-relocation supportive services. (The same probably would be true of today's dislocated workers who were willing to move. However, they would need pre-relocation counseling to apprise them of the kinds of jobs they could qualify for and wages paid in other industries and geographic areas.)

The supportive services required by pilot project relocatees were beyond the traditional scope of Employment Service activities. Project personnel thought that the Employment Service would have to undergo considerable modification for it to effectively conduct mobility programs of this type in the future.

One modification, for example, involved the Employment Service's Interstate Clearance System. It was considered a major stumbling block to efficient

program performance. The system was supposed to give all Employment Service offices access to information on unfilled job openings. This information was to assist the projects in matching workers with jobs in other areas. However, the information provided was often out-of-date and limited in detail. Use of the system was so unsuccessful that Employment Service agencies adopted other means to obtain information on out-of-state job openings. Due to the inadequacy of the system, the ability of projects to match workers with the best possible jobs was reduced. As in the unassisted migration process, discussed in the previous section of this report, relocations arranged by these pilot projects might not have been the most economically rational.

Program outcomes

One measure of program benefits is whether provision of relocation allowances resulted in moving workers who would not have migrated in the program's absence. The majority of workers relocated by the pilot projects were young, under 25 years of age. As previously noted, young workers usually have a high rate of migration. The same point can be made regarding single workers: they made up a majority of relocatees in the pilot projects and generally exhibit a high migration rate. Therefore, the projects appear to have subsidized actions that would have taken place absent Government intervention. However, in one demonstration project for which relocation rate data by age group were available, the gap between the relocation rates of younger and older workers was considerably narrower than was the case in the general population. In addition, results from at least two projects showed married workers having relocation rates equal to those of single workers. From these few experiences, one might deduce that the projects did alter age- and marital status-specific migration rates.

In summary, a definite conclusion cannot be reached about the effect of the labor mobility demonstration program on relocating the most mobile as opposed to the least mobile groups in the population.

Whether the program was able to reduce unemployment is another measure of its benefits. As many of the project participants were formerly in low-skilled, entry level jobs, they were placed in similar jobs in other areas. Such jobs probably could have been filled by less skilled, unemployed workers who already resided in the receiving area. Thus, the net impact of the program on unemployment may have been a wash. (This possibility could be reduced by relocating workers to areas with low unemployment rates or first training the workers so that they could qualify for more skilled jobs.)

Other project participants were placed in areas dominated by one industry or in industries very sensitive to fluctuations in the business cycle. Both types of placements would tend to reduce the long-term prospects of steady employment among relocatees. For example, some workers were relocated to areas very dependent upon aircraft manufacturing. Aircraft production, in turn, is very dependent upon the nature and level of defense spending. If national defense priorities shifted and defense spending were redirected or cut back, these relocatees would have been subject to another bout of unemployment in an area offering few employment options. Thus, while the program might have reduced unemployment in the short run by placing workers in these industries, its long-run impact on unemployment is uncertain.

An alternative indication of program benefits is the permanency of relocation. Across all projects, 30 percent of relocated workers reported in followup interviews that they stayed in their original job at least two months. (A two month followup period is unlikely to produce a reliable estimate of

the long-term retention experience of relocated workers.) The more highly skilled the worker, the greater the proportion who remained in their original job: of those workers who relocated after experiencing a mass layoff, 63.5 percent stayed in their original jobs; of these workers who relocated after participating in a training program, 59.3 percent stayed in the original job at least two months.

Little more can be concluded about the effectiveness of these demonstration projects because of the inadequacy of available data. ^{29/} Evaluations of the program relied upon retrospective followup interviews, a technique subject to numerous drawbacks. In addition, the absence of control groups, whose members would have had similar characteristics to those of the relocatees but who would have remained in their home communities, made it difficult to isolate the effect of migration from other events that occurred during the migration period.

Experience Under the JSRA Pilot Project ^{30/}

Between April 1976 and September 1980, the U.S. Employment and Training Administration sponsored the Job Search and Relocation Assistance Pilot Project. The project was designed to test the feasibility of offering relocation assistance to Employment Service applicants along with the traditional services offered by the agency to its clients. Another aim of the project was to determine if the Job Bank System was useful as a provider of out-of-state labor market information.

^{29/} Somers, Gerald. Information Needs: Conceptual and Data Problems in Evaluating Relocation Projects, in The International Manpower Institute. Symposium on the Role of Worker Relocation in an Active Manpower Policy, U.S. Govt. Print. Off., Washington, D.C., 1970, pp. 178-180.

^{30/} This section draws heavily on Herzog, John K. and Cilla J. Reesman. Job Search and Relocation Assistance Pilot Project Final Report, Westat, Maryland, 1981.

Eligibility criteria

Eligible individuals under the JSRA pilot project were Employment Service registrants who were unemployed or underemployed, could not find a suitable job within commuting distance from their homes, had not refused suitable employment in their home area, were job ready, and were not eligible for relocation assistance under another Federal program. In addition, individuals had to state that they were willing to relocate. Persons who fulfilled all other criteria but were unwilling to relocate did not receive migration-related services. Thus, the eligible population was made up of persons predisposed to move. This may have influenced their response to and the outcome of the pilot project.

Relocation assistance

The Employment Service offices in eight southeastern States (Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee) conducted the project. Different offices provided different levels of service to eligible individuals. The first level involved offering out-of-state job information, long-distance telephone access, and expenses for pre-employment interviews to participants. The second level included all first level services plus payment of relocation expenses. The third level provided no special services beyond those normally offered by the Employment Service. It served as a control group against which to compare the experience of persons exposed to relocation services.

The expense of a pre-employment interview was subsidized up to \$500. The number of trips was unlimited. There was a \$1,500 cap on assistance for moving the relocatees, their families, and household goods; subsistence; and lodging

while moving. An additional payment, based upon family size but not to exceed \$500, was offered as well.

Project costs totalled \$2.6 million, with \$555,880 accounted for by job search grants; \$818,910, by relocation grants; and \$1.3 million, by administrative expenses. The average cost per relocation was \$1,350. Job search grants averaged \$285, and relocation grants averaged \$420. Administrative costs per relocation were \$645, on average.

Program operation

Some 34 Employment Service offices participated in the pilot project at some time during its 4-1/2 years of operation. They placed 1,858 workers in jobs outside their home areas. This amounted to 28 percent of the 6,644 applicants considered eligible for relocation.

Employment Service offices were given two sources of information on job openings for use in making referrals. One was the Job Bank Openings Summary which reported monthly on all job orders in the Employment Service. The other was the Job Bank Frequently Listed Occupations, a monthly report intended to point out areas in which high demand occupations were located.

Problems arose in the use of both publications. They included a substantial amount of irrelevant information from the project's point of view. Their sheer bulk was overwhelming to applicants. In addition, the information on unfilled job orders was often out-of-date, with many having been filled or cancelled. It should be noted, however, that neither publication was designed to be used as the project attempted to.

A special data compilation was extracted from the Job Bank System to try to improve the availability of timely information that met the particular needs

of the relocation project. Weekly updating of the job orders file was arranged to address the problem of continued listing of filled or cancelled jobs.. While the reduced number of jobs listed made the information more manageable, there was still a large proportion of out-of-date jobs contained in the special compilation.

Use of an on-line retrieval system was experimented with at some locations as well. It enabled a computer terminal operator to search the job openings data base using a variety of options to access different groups of jobs, e.g., geographic area, industry, occupation, salary, education or experience required. It was found that the capabilities of the on-line retrieval system were not fully used, perhaps due to inexperience and/or inadequate training. Consequently, the on-line system's costs were found to outweigh its benefits.

Program outcomes

The program was able to relocate workers having characteristics usually associated with a low propensity to migrate. For example, the relocation rate among eligible applicants with under 12 years of education was about 45 percent in contrast with 16 percent for college-educated applicants. Similarly, such blue-collar workers as nonfarm laborers, craft workers, and operatives exhibited the highest relocation rates, ranging from 38 to 44 percent. By comparison, white-collar professional, technical, and managerial workers had the lowest relocation rates, at between 13 and 16 percent.

Program participants who moved benefitted in terms of higher mean earnings. Among experienced full-time workers, male relocatees increased their annual earnings after relocation by \$2,443, on average, compared to their annual earnings before entering the project. Male members of the control group who did not move earned

an average of \$769 less over the year. A similar earnings pattern occurred between female relocatees and control group members.

The relationship between benefits and costs differed by office, depending upon the level of relocation services offered. Provision of grants for out-of-area job interviews had a benefit-to-cost ratio of 1.6:1. That is, total benefits to workers derived from the project were 1.6 times as high as costs attributable to the project. Provision of grants for job interviews, moving and related expenses had a benefit-to-cost ratio of 2.9:1. It appears that the more comprehensive service resulted in the greatest return on costs. Of particular interest in view of the dominance of blue-collar workers among today's dislocated workers is that Employment Service offices that specialized in relocating blue-collar workers and that offered the more comprehensive relocation service were among the most cost-effective.

Caution should be used in extrapolating these benefit-to-cost ratios from the pilot project to what might be expected in a nationwide program. The costs included in the calculations mentioned above may be understated relative to a national program's costs since 80 percent of the moves in the pilot project were within the southeastern region. Expanding the area of job search to the entire United States would increase costs. A greater number of long moves, such as from the Midwest and Northeast to other areas in the Nation for example, also would raise costs.

Experience under the Trade Act of 1974

Congress has enacted legislation on an ad hoc basis to assist workers adversely affected by Federal Government actions. Under the Airline Deregulation Act of 1978 (P.L. 95-504), for example, employees displaced by Federal deregula-

tion of the airline industry are entitled to a relocation allowance' as well as compensation for losses incurred on the sale of a home. 31/ The Regional Rail Reorganization Act of 1978 (P.L. 93-236) provides similar allowances for employees who have lost their jobs due to railroad reorganizations, e.g., the formation of Conrail. 32/

Other Federal legislation includes allowances for job search as well as relocation activities. Both kinds of allowances are available to workers adversely affected by the liberalization of trade laws. 33/ The Trade Act of 1974 (P.L. 93-614) as amended by the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) offers reimbursable job search allowances equal to 90 percent of expenses up to \$600. The relocation allowance is equal to 90 percent of expenses incurred in moving the worker, family, and household goods. A lump-sum payment of three times the worker's average weekly wage, capped at \$600, is provided under the law as well.

Through FY82, 5,830 workers received job search allowances and 5,049 workers received relocation allowances under the Trade Act. As shown in the table, job search allowances averaged \$171 while relocation allowances averaged \$1,556 between FY76 and FY82.

31/ U.S. Congress. House. Report No. 96-49, pp. 17-18.

32/ Ahmuty, Alice L. Worker Participation on Conrail: Background and Summary, Congressional Research Service, Washington, D.C., April 14, 1981, pp. 15 and 18.

33/ U.S. Congress. House. Report No. 98-2, Background Material and Data on Major Programs within the Jurisdiction of the Committee on Ways and Means, 98th Congress, 2nd session, U.S. Govt. Print. Off., Washington, D.C., 1983, pp. 170 and 175.

TABLE 1. Number of Workers Who Received and Costs of Job Search and Relocation Allowances under the Trade Act, FY76 - FY82

Fiscal Year	Job Search Allowances 1/			Relocation Allowances 1/		
	Number of Workers	Total Cost	Average Cost	Number of Workers	Total Cost	Average Cost 2/
1976 <u>3/</u>	181	\$ 16,268	\$ 90	70	\$ 52,961	\$1,253
1977	277	38,826	140	191	153,782	1,305
1978	1,072	164,247	153	631	603,104	1,456
1979	1,181	306,710	260	855	1,172,744	1,871
1980	931	113,966	122	629	706,263	1,623
1981	1,491	250,513	168	2,011	2,023,230	1,506
1982	697	182,438	262	662	843,889	1,875
TOTAL	5,830	1,072,968	171	5,049	5,555,973	1,556

1/ Excludes administrative costs.

2/ Includes maximum lump-sum payment of \$500 through September 30, 1981 and of \$600 thereafter.

3/ Covers period from July 1, 1975 to September 30, 1976.

Source: U.S. Department of Labor.

In a GAO report on benefits under the Trade Act, the agency found that relatively few workers took advantage of the job search and relocation allowances. 34/ Of the 242,000 workers included in the GAO survey who were eligible for benefits, 60 percent indicated that they would never be interested in moving from their

34/ General Accounting Office. Restricting Trade Act Benefits to Import-Affected Workers Who Cannot Find a Job Can Save Millions, Washington, D.C., 1980, pp. 22, 28, and 30.

home communities to accept another job. A more appropriate question is how many of the 88,000 workers who were not recalled or retired when receiving trade adjustment assistance benefits made use of the allowances. Even with this smaller base, only between 1 and 2 percent used either the job search or relocation allowances.

GAO found two explanations for this low utilization rate--that workers were unaware of the allowances; that workers were uninterested in using the allowances. ^{35/} Some 53,000 workers were neither aware that job search allowances were available nor were told about them by Employment Service personnel. Similarly, 50,000 workers were neither aware that relocation allowances were available nor told about them by Employment Service personnel. Regarding lack of worker interest, between 33 and 37 percent of the workers who knew about either of the allowances but did not use them preferred to wait to be recalled to their former jobs. An additional 19 percent were unwilling to move to a job outside their home communities.

One possible reason for the lack of interest among eligible workers in using the two allowances lies in the probability of being recalled to their former jobs. Of the workers in GAO's study who reported that they preferred to await recall to their former employers rather than use the allowances, between 83 and 90 percent actually did return to their jobs. ^{36/} Such a high recall rate would tend to confirm and reinforce an individual's natural inclination to hope that things will improve and no major change, such as relocating, need be made.

^{35/} Ibid., pp. 27-28.

^{36/} Ibid., p. 28.

The characteristics of workers eligible for assistance under the Trade Act may be another reason for their low utilization of the allowances. Their characteristics in many ways resemble those of the more immobile groups in the population. Workers included in the GAO Survey averaged 41 years of age. 37/ Over four-fifths were married and had more than three dependents. After having spent 12 years, on average, with the same employer, they probably had a good deal of firm-specific training and experience that would not be easily transferable to meet another employer's needs. For the most part, they were blue-collar workers in durable goods manufacturing industries. Sixty percent had completed 12 years of schooling. Several of these characteristics correspond to those that inhibit mobility as described in the first section of this paper.

37/ Ibid., p. 62.

THE FEASIBILITY OF ESTABLISHING A NATIONWIDE WORKER RELOCATION PROGRAM

The issue of increasing labor mobility to reduce unemployment through a nationwide, Federally-sponsored program has several subparts that can best be addressed individually and in turn:

1. Is the Federal Government the most appropriate initiator of such a program?
2. Has experience with relocation programs demonstrated that they promote mobility among groups generally reluctant to move?
3. Would a relocation program produce a more rational migration of labor?
4. Would a nationwide labor mobility program reduce unemployment?

Is the Federal Government the Most Appropriate Initiator of such a Program?

A unit below the Federal level is not apt to subsidize relocation of its residents. ^{38/} In fact, a community might erect barriers to mobility in order to retain the education, social services, and other benefits it has given to its residents. Examples of such barriers include offering vocational training only for those skills in demand in the immediate area, not disseminating information about conditions in out-of-area labor markets, and funding on-the-job rather than institutional training since the former is firm-specific and less easily transferable to other employers (such as those in other localities). One reason for these barriers might be a community's belief that outmigration makes matters worse rather than better, given the characteristics of those who tend to leave as against those who tend to remain. (See page 9.)

^{38/} Reesman, Cilla J. and David R. Zimmerman. Worker Relocation 1965-1972, p. 39.

Costs imposed by high unemployment on a community having surplus labor may not be sufficient to overcome the area's desire to keep its residents. ^{39/} While high unemployment may be a burden on a locality's services, the State and/or Federal Governments bear all or most of the actual costs.

The private sector also would be unlikely to initiate a comprehensive relocation program given the current practices of most firms. While many companies assist transferred employees to move, far fewer offer help to new hires. When they do offer new employees relocation assistance, it often differs substantially from that offered current employees. ^{40/} Of those firms that cover some relocation expenses for new hires, relatively more do so for exempt (e.g., professional, technical, and managerial) than for nonexempt (e.g., production and clerical) personnel.

In cases where workers are represented by a labor organization, some have negotiated agreements with employers that call for relocation allowances to be paid under various circumstances. In the contract between the United Auto Workers and General Motors, for example, if a major operation is transferred from one plant to another, laid-off as well as currently working employees who agree to move with the operation will receive a relocation allowance based upon mileage, marital status, and eligibility for relocation assistance under any current or future State or Federal legislation.

^{39/} Ibid., p. 40.

^{40/} Harriet Gorlin. Personnel Practices II: Hours of Work, Pay Practices, Relocation, The Conference Board, New York, 1981, pp. 36-37.

Arguably, leaving the relocation issue to the private sector will produce ad hoc measures that differ by company and, except in the case of some union contracts, often do not cover the majority of today's dislocated workers--those in blue-collar jobs. In addition, given the inclination of local areas to hold onto their residents, the evidence is strong that Federal funding is a prerequisite for establishing a nationwide relocation program.

Has Experience with Relocation Programs Demonstrated that They Promote Mobility among Groups Generally Reluctant to Move?

The MDTA-sponsored pilot projects did not add a great deal of information on this subject. In addition, most of the program's participants were rural, low-skilled workers so that results from the projects probably are not generally applicable to the urban, semi-skilled and skilled industrial workers that a relocation program would be aimed at today.

Results from the JSRA demonstration project indicate that workers having characteristics usually associated with a low migration rate can be induced to relocate. However, a precondition for participation in the project was that workers had to be willing to migrate. As a consequence, blue-collar workers who were not at all interested in moving or preferred to wait to be recalled by their former employers probably selected themselves out of the project. While the same self-selection would have occurred among professional, technical, and administrative workers, the greater number of options open to such workers relative to blue-collar workers might have permitted more of the white-collar workers to find jobs in their home areas.

Almost all of the moves in the JSRA project were within the southeastern region. It is not known how moves to more distant locations lacking regional

similarities to the workers' home communities, such as would likely occur in a national relocation program, might have altered the project's findings. Since longer moves appear to be more acceptable to professional-technical than blue-collar workers, generalizing of the results from the JSRA project to a national program might not be appropriate.

The experience of workers eligible for job search and relocation assistance under the Trade Act of 1974 reveals a low utilization rate. It is not possible to determine how many more workers would take advantage of the allowances if the Employment Service better publicized their availability. Another impediment to greater use of the allowances by import-affected workers is their high probability of being recalled by former employers. Their experience may not be applicable to that portion of today's dislocated workers who have seen their former employers close plants permanently, move to another area, or automate extensively. This group of dislocated workers might be more willing to consider relocation as an alternative to continued unemployment since they would not have the option of waiting to be rehired by their former employers.

In summary, the evidence from the U.S. experience with relocating workers is limited, inconclusive, and not necessarily applicable to the present situation.

Would a Relocation Program Produce a More Rational Migration of Labor?

Persons who migrate to find employment rely upon the advice of friends and family in selecting a destination. Friends and relatives may not have the best possible labor market information upon which to base a choice of destination. In order for a Government relocation program to rationalize the destination decision, program personnel must have access to better labor market information than that available to a potential relocatee's friends and family.

As noted in the section which discussed labor mobility pilot projects, a major drawback to efficient program performance was the Employment Service's lack of timely, comprehensive labor market information. In both the MDTA and JSRA demonstration projects, service deliverers were slow to receive listings of job orders which meant that many jobs already had been filled or cancelled when the listings became available. Consequently, project personnel developed alternative ways to get information on job openings in other areas. 41/ Some of these methods were the same as those customarily used by unemployed persons searching for work, e.g., directly contacting out-of-state employers, mass mailing of resumes, reading newspaper want ads. Thus, Employment Service personnel relied upon hit-or-miss methods to obtain job information which did not necessarily produce a better choice of destinations than unemployed individuals would have made for themselves. What the programs did accomplish in terms of reducing the randomness of migration, however, was to ensure that whoever moved had a job waiting at their destination.

Despite the passage of time, results from a recent GAO study show the Employment Service still experiencing problems with obtaining up-to-date labor market information. 42/ Today, some States have on-line computer capabilities in their individual Employment Service offices that allow them to update information on job openings and applicant characteristics quickly.

41/ Fairchild, Charles K. Worker Relocation, p. 75.

42/ General Accounting Office. Problems Affecting the Accuracy and Timelines of Employment Service Reporting Systems, Washington, D.C., 1983, pp. 5-6.

For those States in which the Employment Service offices must send information to a central computer facility, by either a private courier of the U.S. Postal Service, updating the labor market data base is a slower process. Time delays increase the likelihood that a job opening will have been filled or that an applicant will have found a job by the time the local Employment Service offices get updated listings through return courier or mail.

Another problem mentioned in the JSRA pilot project--the provision of more information than is needed to make job referrals--remains today as well. 43/ To make the data more useful, local Employment Service staff sometimes manually reformat the information to suit their needs.

The Interstate Clearance System continues to encounter difficulties. 44/ Lacking criteria on how long to hold a job opening at the local office before it is sent to the interstate clearance facility in Albany, New York, local offices first keep the job orders to try to fill them locally and then send the unfilled orders to Albany. This causes the listings of job openings disseminated by the Interstate Clearance System to have a large proportion of hard-to-fill jobs for which qualified Employment Service applicants previously were not found.

How useful the Interstate Clearance System would be as a source of job information for a relocation program, even if improvements were made, is questionable. As just mentioned, most Employment Service registrants are not

43/ Ibid., pp. 8-9.

44/ Ibid., p. 11.

qualified for the jobs listed by the clearance system. In addition, relatively few Employment Service registrants indicate a willingness to relocate. Jobs typically listed by employers with the Employment Service are low paying and low skilled. These are not the kind of jobs that would induce someone to relocate. Therefore, unless higher paying, higher skilled jobs are listed by employers and unless the skills of Employment Service applicants are upgraded, or more skilled workers use the Employment Service as a source of jobs, the Interstate Clearance System is likely to be of minimal value to relocation program personnel.

Would a Nationwide Labor Mobility Program Reduce Unemployment?

Moving an individual to a job in another area would immediately eliminate the unemployment problem of that individual and reduce the costs associated with unemployment in the geographic area which the individual left. If, however, the relocatee does not remain employed, then the costs associated with unemployment merely have been transferred from the sending to the receiving area. Thus, unemployment is not reduced; it is just geographically redistributed.

While moving a jobless person to an opening in another area would employ that person, it might cause a jobless resident of the receiving area to remain unemployed. In other words, the number of jobless individuals would not be lowered, but instead, there would have been a substitution of relocatee for resident. Thus, unemployment is not reduced; it is just personally redistributed.

This last point indicates the difficulty of trying to operate a relocation program during an economic downturn. Increased joblessness accompanies a recession and lingers after a recovery gets underway. Consequently, there is likely to be an oversupply of qualified workers within commuting distance of

most job openings. A relocation program is more apt to shift rather than reduce unemployment at such times unless a careful study is made of labor market conditions in potential destinations.

Conclusion

A program that provides financial incentives for migration to unemployed workers may remove or lessen one of the barriers to geographic mobility. It cannot, however, eliminate the noneconomic, personal considerations that effect the to-move, or not-to-move decision. What it can do is reinforce a person's inclination to move, so that thought becomes action.

For those unemployed workers willing to move, who lack the financial resources, and have skills in demand outside their home areas, a relocation program offers them an alternative to continued joblessness. A key phrase is "have skills in demand outside their home areas." If unemployed workers do not posses such skills then a relocation program alone would be of no use to them. It might be after they have received training, however. Therefore, as in the Job Training Partnership Act, relocation assistance should be viewed as just one option in a comprehensive employment program for dislocated workers.