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Retraining Displaced U.S. Workers

September 2009

“Education is the catalyst for a strong economy and the means by which adults will reinvent themselves and rebuild the industrial cities that have been the foundation of our nation...Community colleges are invaluable resources for adults seeking to acquire new skills that are needed by employers.”

—U.S. Secretary of Education Arne Duncan, [June 3, 2009](#)

When the current U.S. recession ends and recovery begins, many pre-recession jobs will [not return](#) (e.g., some finance and automobile industry jobs). In other words, while some losses will be cyclical (i.e., temporary), others will be structural (i.e., permanent). As the [flash chart](#) shows, employment has undergone structural changes before—for example, the shift from agriculture to goods-producing industries and the subsequent shift to services—fueled by a variety of factors, such as enhanced productivity in farming/manufacturing and globalization, which has led to increased imports of manufactured goods. Workers with permanent job losses may need to train for new jobs to survive in this ever-changing economic environment.

Several federal and state government programs exist to help laid-off workers, including some that help workers train for new positions. For example, workers who have been laid off as a result of offshoring or increased imports may be eligible for assistance under [Trade Adjustment Assistance](#). The [Workforce Investment Act \(WIA\) Dislocated Workers Program](#), on the other hand, does not require increased trade to be the reason for a layoff. At the more local level, each state has a [Rapid Response](#) team that provides services such as career counseling for laid-off workers. These are just a few of the resources available to help displaced workers get back on their feet.

For those who need jobs in new industries, a [Bureau of Labor Statistics \(BLS\) report](#) predicts that the services sector will continue to have the greatest gains in employment from 2006 to 2016. The two industries expected to have the largest increases (in total job numbers) are education and health services (5.5 million, or 18.8 percent) and professional and business services (4.1 million, or 23.3 percent). In contrast, manufacturing is expected to lose 1.5 million jobs (10.6 percent) during the same period. The BLS report also highlights the occupations expected to grow the most and lists their required training. Some require various levels of on-the-job training (e.g., home health aides, medical assistants, electricians) or related work experience (e.g., sales representatives, executive secretaries), whereas others require a postsecondary vocational award/certificate (e.g., preschool teachers, auto mechanics), associate’s degree (e.g., registered nurses, dental hygienists), bachelor’s degree (e.g., computer systems analysts, accountants), or advanced education.

Are worker retraining programs effective? A [2008 study](#) prepared for the Department of Labor examined the effectiveness of training under the WIA Dislocated Workers Program. Four years after entering the WIA program, participants who received training did not have higher employment or earnings than those who received no training. A [recent New York Times article](#) discusses some reasons why retraining under the program might not work. In contrast, according to [a 2005 study by Jacobson, LaLonde, and Sullivan](#), retraining has a larger impact on income for those who complete quantitative (e.g., math or science) courses or technical vocational training than for those who take less quantitative (e.g., social science) courses. Overall, one year of community college translated into a 9 percent increase in men’s earnings and a 13 percent increase in women’s. Among those who completed quantitative courses, the increase in earnings was 14 percent for men and 29 percent for women. On the whole, it appears that effects of retraining are mixed.

As the global economy grows and technology improves, we can expect the composition of U.S. jobs to keep evolving. The demand for worker retraining programs will likely continue to be strong.

—By Kristie M. Engemann, Senior Research Associate, Federal Reserve Bank of St. Louis

References

- Luo, Michael. “Job Retraining May Fall Short of High Hopes.” *New York Times*, July 5, 2009.
- U.S. Department of Labor, Bureau of Labor Statistics. “Tomorrow’s Jobs,” in *Occupational Outlook Handbook, 2008-09 Edition*, 2008.

The views expressed are those of the author and do not necessarily reflect the official positions of the Federal Reserve Bank of St. Louis, the Federal Reserve System, or the Board of Governors.

Recent Articles and Further Reading on Retraining Displaced U.S. Workers

[“Income Loss Persists Long After Layoffs,”](#) by Michael Luo, *New York Times*, August 3, 2009.

This article discusses the employment and earnings outcomes of several people who were laid off around the 2001 recession.

[“Occupational Outlook Handbook, 2008-09 Edition,”](#) by the Bureau of Labor Statistics, U.S. Department of Labor, 2008.

This publication provides detailed information—for example, projected employment growth, earnings, a description of the work—on a wide variety of occupations.

“The Impact of Community College Retraining on Older Displaced Workers: Should We Teach Old Dogs New Tricks?” by Louis Jacobson, Robert J. LaLonde, and Daniel Sullivan, *Industrial and Labor Relations Review*, April 2005, 58(3), pp. 398-415. ([Working Paper No. 2003-25 version](#), Federal Reserve Bank of Chicago.)

This study compares earnings of displaced workers 35 years or older and those younger than 35 who completed community college courses after job displacement.

Free Data Sources and Reports

Data: Mass Layoff Statistics
Description: This source provides data such as mass layoffs and initial unemployment insurance claims by industry and also by U.S. state.
Published by: U.S. Department of Labor, Bureau of Labor Statistics
Location: <http://www.bls.gov/mls/>

Data: Occupational Projections and Training Data
Description: This source was used to create the *Occupational Outlook Handbook, 2008-09 Edition* and includes detailed data on expected job openings from 2006-16, educational attainment by field of study, and so on.
Published by: U.S. Department of Labor, Bureau of Labor Statistics
Location: <http://www.bls.gov/emp/optd/> ([pdf version](#))

Data: Job Openings and Labor Turnover
Description: This source provides data on job openings, hires, and job separations broken down by industry and by major U.S. region.
Published by: U.S. Department of Labor, Bureau of Labor Statistics
Location: <http://www.bls.gov/news.release/jolts.toc.htm>

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