
Report

February 17, 2011

work2future/NOVA Rapid Response Study 2010

Report

February 17, 2011

work2future/NOVA Rapid Response Study 2010

Prepared for

work2future
1290 Parkmoor Ave.
San José, CA 95126

NOVA
505 West Olive Ave., Suite 550
Sunnyvale, CA 94086

Prepared by

BBC Research & Consulting
3773 Cherry Creek N. Drive, Suite 850
Denver, Colorado 80209-3868
303.321.2547 fax 303.399.0448
www.bbcresearch.com
bbc@bbcresearch.com

Table of Contents

I.	Introduction	
	Introduction	I-1
II.	Environment	
	How has Rapid Response programming evolved since the WARN Act was enacted in 1988?	II-1
	What is the local environment?	II-5
III.	Assessment of Business Assistance	
	What layoff assistance are work2future and NOVA currently providing to WARN businesses and others?	III-1
	How does awareness of work2future and NOVA among Silicon Valley businesses impact acceptance of Rapid Response services?	III-3
	How can work2future and NOVA identify at-risk businesses?	III-6
	What are the best strategies for business outreach?	III-9
IV.	Assessment of Assistance for Dislocated Workers	
	Is the assistance that work2future and NOVA give to dislocated workers valued by those workers?	IV-1
	Can work2future and NOVA better identify dislocated workers?	IV-4
	Can work2future and NOVA increase participation from dislocated workers?	IV-5
V.	Reporting	
	What are current reporting requirements? How can they be improved?	V-1
	Appendices	
	A. Case Studies of WARN Businesses	A-1
	B. Results of Dislocated Worker Focus Groups and Telephone Interviews	B-1
	C. Results of Rapid Response Partners Focus Groups	C-1
	D. Review of Early Warning Systems	D-1

SECTION I.
Introduction

Executive Summary

In summer 2010, BBC Research & Consulting (BBC) was selected to conduct a Rapid Response study for work2future, the North Valley Job Training Consortium (NOVA) and the City of San José Office of Economic Development.

BBC's research included focus groups, interviews, a review of literature on Rapid Response, case studies of businesses that have filed WARN notices and statistical analysis of financial risk data. Based on this research, our key findings and recommendations are summarized below.

Overall effectiveness. Overall, work2future and NOVA do a good job in providing Rapid Response services. Dislocated workers rate highly the assistance they receive from work2future and NOVA, although some services are more appreciated than others. Businesses who have dealt with work2future and NOVA are also largely positive about their experiences, describing the organizations as “flexible” and “available.”

Best practices. BBC reviewed Rapid Response best practices from California and the nation. While work2future and NOVA already follow best practices in many cases, there are opportunities to learn from other Rapid Response providers regarding proactive engagement with businesses, effective marketing of services and performance measurement and customer feedback.

Responding to WARN notices. work2future and NOVA's WARN response rate is high: together the agencies responded to about 85 percent of WARN notices filed in their areas since 2007. However,

there are still opportunities to improve communications with EDD and strengthen ties with the business community so that fewer businesses reject offers of assistance.

Improving awareness and trust of businesses. There is room for improvement in raising awareness of Rapid Response services. Some businesses have a perception that private outplacement firms are more appropriate and that, as government organizations, work2future and NOVA are less flexible.

BBC recommends outreach efforts in the form of in-person presentations, not only to businesses but also to human resources (HR) associations, economic development organizations, private outplacement firms, HR consulting firms and other business assistance organizations. These groups are likely to be receptive to learning about Rapid Response services. Such efforts will not only raise awareness of work2future and NOVA, but over time should also increase trust. Clear employer-targeted collateral detailing all available business services should also be developed.

Dislocated workers. Except through responding to a WARN notice, work2future and NOVA have limited means of identifying dislocated workers or tracking if they have received assistance. As filing for unemployment insurance with EDD is often a first step for laid off workers, there is potential to work with EDD to develop an express notification system that can help work2future and NOVA identify these individuals. However, there may be privacy issues that constrain this.

Opportunities for partnership. Outplacement firms, lawyers and others in the private sector are potential partners for work2future and NOVA. These firms may see value to their own business in being able to direct individuals to work2future and NOVA services. In doing so, they will raise the profile of work2future and NOVA among local businesses.

Early warning system. Others' efforts to develop an early warning system for mass layoffs and plant closures based on statistical modeling have met with limited success, but certain tools, such as the Dun & Bradstreet Financial Stress Score are affordable and should be considered as part of an early warning system. However, financial indexes and mathematical models are no substitute for strong relationships with local businesses.

Layoff aversion. In part due to the unique nature of the Silicon Valley business environment and firms' secrecy, BBC's believes that there is limited benefit to directing efforts towards layoff aversion.

Infrastructure and capacity needs. BBC believes that work2future and NOVA have a flexible approach to providing capacity for dislocated workers. There is currently no need to permanently expand infrastructure. Temporary off-site locations set up from time-to-time in response to extremely large mass layoffs help remedy potential stress on infrastructure. However, BBC recommends that work2future and NOVA closely monitor stresses on available staff.

Reporting. work2future and NOVA can learn from the best practices of other organizations to improve monitoring and assessment of business and dislocated worker experiences. There is

also an opportunity for work2future and NOVA to work together to develop a single harmonized reporting system for tracking engagement with businesses and workers.

Introduction and Background to the Study

Nationally, Rapid Response programs have developed from two key pieces of federal legislation:

- In 1988, the U.S. Congress passed the Worker Adjustment and Retraining Notification (WARN) Act, creating requirements for large employers to meet before mass layoffs occur. Amended in 2007, the WARN Act requires employers with 100 or more employees to provide notice to affected workers 60 days in advance of a mass layoff. Notice must also be given to the state dislocated worker unit and the chief elected official of the local government where the layoffs will take place.
- In 1998, Congress passed the Workforce Investment Act (WIA), providing a framework to meet the needs of both employers and job seekers, in order to enhance the work being done according to the WARN Act. The WIA provides additional flexibility for state and local governments in the implementation of workforce development systems using federal funding.

California's WARN act, passed in 2003, expands the coverage of the federal law to any business of 75 or more employees and extends notification and compliance requirements.

In California, after a WARN notice has been filed by an employer, the local Rapid Response team can begin to assist employers and workers to address the issues that immediately arise because of the layoffs.

Between 2006 and 2009, about 500 WARN notices were filed in the work2future/NOVA region and these organizations were able to respond to the great majority of these notices.

BBC's research sought to:

- Identify best practices, opportunities and constraints relating to work2future and NOVA's Rapid Response assistance for local businesses facing downsizing or closure;
- Explore creative, new strategies to address large-scale layoffs in Silicon Valley;
- Find ways to make work2future and NOVA's Rapid Response programs more attractive to businesses facing layoffs, increase awareness of the programs and raise levels of participation;
- Explore potential local and regional partnerships with other public and private entities and determine the coordination that would be needed for success; and
- Assess infrastructure and capacity needs to sustain short-term intervention and long-term programs.

BBC used a combination of research approaches to address these objectives, including:

- A review of the literature on Rapid Response;
- Focus groups with other local service providers, including private outplacement firms;
- Focus groups and interviews with dislocated workers;
- In-depth telephone interviews with national experts;
- Detailed case studies (including interviews) of businesses that have filed WARN notices; and
- Analysis of WARN data and statistical modeling to explore a possible early warning system.

BBC's findings and recommendations are discussed in detail in the following sections and supporting appendices.

Organization of this Report

This report has five sections, plus supporting appendices. Sections II through V summarize the study team's findings. Our findings in Sections II through V are presented in a question and answer format.

The key research questions and organization are as follows:

- Section II addresses the environment in which work2future and NOVA's Rapid Response programs operate. We address two key research questions:
 - Nationally, how has Rapid Response programming evolved since the WARN Act was enacted in 1988?
 - What is the local environment?
- In Section III, we focus on the assistance to businesses that work2future and NOVA currently provide. We address four key research questions:
 - What layoff assistance are work2future and NOVA currently providing to WARN businesses and others?
 - How does awareness of work2future and NOVA among Silicon Valley businesses impact acceptance of work2future and NOVA services?
 - How can work2future and NOVA identify at-risk businesses?
 - What are the best strategies for business outreach?
- Section IV focuses on assistance to dislocated workers. We address three research questions:
 - Is the assistance work2future and NOVA gives to dislocated workers valued by those workers?
 - Can work2future and NOVA better identify dislocated workers?
 - Can work2future and NOVA increase participation from dislocated workers?
- In Section V we consider the issue of reporting, asking:
 - What are current reporting requirements and how can they be improved?

Further detail on background research, methodology and study findings is presented in Appendices A through D.

- Appendix A contains information on BBC's case studies of Silicon Valley businesses that have recently filed WARN notices.
- Appendix B provides detailed results from BBC's focus groups and interviews with dislocated workers who have used work2future or NOVA services.
- Appendix C provides detailed results from BBC's focus groups with other local service providers, including private outplacement firms.
- Appendix D presents a detailed discussion of BBC's investigation into early warning systems.

SECTION II.
Environment

How has Rapid Response programming evolved since the WARN Act was enacted in 1988?

We begin by addressing how Rapid Response programming has evolved since 1988. Following a summary of the program history, we report on current best practices nationally and in California.

What is the history of Rapid Response?

In 1988, the U.S. Congress passed the Worker Adjustment and Retraining Notification Act (WARN), which created guidelines for employers planning mass layoffs or plant closures. After being amended in 2007, the WARN Act requires employers with 100 or more employees to provide prior notice to the affected workers 60 days in advance of the layoffs occurring; smaller employers are not covered under WARN. This notice must also be provided to the State dislocated worker unit and the chief elected official of the local government where the layoffs are to take place.

In 1998, Congress passed the Workforce Investment Act (WIA), providing a framework to meet the needs of both employers and job seekers, in order to enhance the work being done according to the WARN Act. The WIA stipulates that job training and employment services be available at the local (rather than the state) level, in order to capitalize on local knowledge. Furthermore, customers of the local centers created by the WIA should have convenient access to employment, education, training and information services, in order to make the centers more effective. Additionally, customers have the ability to choose which services pertain to them, in order to most effectively employ the resources available. Finally, there ought to be readily available data from the centers on the success rates for job placement.

What are best practices nationally?

In a study by the John J. Heldrich Center for Workforce Development at Rutgers University in 2008, researchers summarized the best practices of Rapid Response programs across the country.¹ In general, states that are best at Rapid Response implementation:

- View Rapid Response programs as a critical service, and as such provide them a clearly defined role in workforce development;
- Deliver those services through well-trained and professional staff, with a particular emphasis on a team environment;
- Engage proactively to create partnerships with businesses that provide timely information on impending layoffs;
- Provide pre-layoff assistance as a dominant priority, and follow-up after layoffs occur if necessary;
- Use resources flexibly, tracking expenditures and acting quickly to get needed resources; and
- Seek opportunities for continuous improvement through the creation of performance metrics and collection of customer feedback.

¹ Maria Heidkamp and Ronnie Kauder, "Coping with Layoffs: Current State Strategies for Better Rapid Response," John J. Heldrich Center for Workforce Development, 2008. Published online.

How has Rapid Response programming evolved since the WARN Act was enacted in 1988?

Rapid Response as critical service. In general, states that are most effective in implementing Rapid Response services are those that have strong roles for those departments. For instance, Massachusetts and Pennsylvania both have central and regional field offices that are run by full-time state employees, and the primary responsibility of these offices is to deliver Rapid Response services. Additionally, the core Rapid Response team in Minnesota includes a labor consultant and an employer association consultant in addition to the full-time state employees. In California's Orange County, Rapid Response programming is outsourced to a private sector expert, *ProPath, Inc.*, housed in the County's One-stop centers with a goal of freeing up county staff to secure competitive funds.

Delivery by well-trained and professional staff. The most successful states in this area are those that hire people who are dynamic, dedicated, flexible and able to make decisions quickly. In Pennsylvania, a sense of humor is considered an indispensable quality for a Rapid Response team member; the state also developed a seven-module training program for its Rapid Response team, emphasizing cultural understanding; skills in presentation, crisis management and decision-making; and understanding customer needs.

Proactive engagement with businesses. To engage better and earlier with businesses, New Hampshire instituted a regular business visitation program in order to find out what challenges and future issues the company might be facing. Similarly, Colorado reaches out aggressively to employer associations in order to obtain any information on impending layoffs.

Related to this, a particularly important attribute of an effective Rapid Response program is the ability to gather advance information about potential layoffs in order to avert or lessen the impact of impending layoffs. This is done most effectively in Massachusetts and New York, who are both developing a forecasting system that involves collaboration with other state agencies. Additionally, if a WARN notification is sent to a local workforce board, every affected agency across the state is automatically notified, which helps speed up Rapid Response and coordination.

Additionally, successful Rapid Response programs are proactive in disseminating information to employers, through a process of appealing to an employer's civic responsibility, as well as informing companies of the advantages of lower unemployment insurance if former employees find jobs more quickly. A survey by Rapid Response teams in Massachusetts found that most had only heard of the Rapid Response services after filing a WARN notice, but were very satisfied with the services provided by the Rapid Response team and would have preferred to have known about Rapid Response services before making layoff plans.

In Montana, career centers have conducted Rapid Response sessions in order to reach individuals who have been laid off from small businesses. Since these firms are not required to submit a WARN notification, service workforce centers are not informed about those layoffs. This approach is effective, since many jobs are also shed by small businesses; however it requires close contact with small businesses in the area.

How has Rapid Response programming evolved since the WARN Act was enacted in 1988?

Providing assistance pre-layoff. Successful states focus on providing the majority of the Rapid Response services before the layoff occurs. Sometimes, Rapid Response services are offered at the business location, as is the case in Massachusetts. Massachusetts maintains a program called *Company Match*, which is a key component in the early intervention strategy, in which employees are matched with potential employers, sometimes on site. If pre-layoff assistance does not lead to employment, most officials in successful states agree that a key to post-layoff success is found through the One-stop Career Center system.

Maximizing the effectiveness of One-stop Career Centers is done in a number of ways:

- Providing a welcoming environment;
- Offering services specifically targeted to the area's dislocated workers;
- Defining responsibilities clearly between Rapid Response and One-stop Career Center staff; and
- Making use of information available through the state's workforce system.

Flexibility in resource use and tracking expenditures. Some successful states take advantage of the flexibility that is allowed in using Rapid Response funds provided through the WIA. Ohio uses some of its funds to help recently laid-off workers with health insurance costs, while Minnesota uses some of its funds to increase the

publicity of their Rapid Response programs. Experts agree that procedures in successful states to obtain and use WIA funds should be transparent and easily understood by local Workforce Investment Boards (WIB).

Rapid Response improvement techniques. Rapid Response programs that are most effective are those that make efforts to collect data from employers and customers on the effectiveness of their services, with a view to continuous improvement. For instance, Texas, Massachusetts and Minnesota track the activity of Rapid Response teams for both employers and individuals. Minnesota takes their process a step further, gathering customer feedback in order to track the progress of their Rapid Response program.

There are a number of other examples of successful approaches to improving Rapid Response, which include:

- Establishing a layoff monitoring database (Minnesota);
- Developing a service provider scorecard (Minnesota);
- Active monitoring of Workforce Investment Board activities (Texas); and
- Collecting customer feedback (Massachusetts and Minnesota).

Other important Rapid Response developments. In addition to the above practices, a number of practices are being developed in response to the recent recession and subsequent layoffs. Most notably,

How has Rapid Response programming evolved since the WARN Act was enacted in 1988?

many states are attempting to connect Rapid Response teams with sector initiatives, directing laid-off workers into growing fields such as green technology, biotech and health-care firms.

Some states are seeking to use technology to enhance their Rapid Response efforts. For instance, Texas is increasingly using Virtual Job Fairs, while New Jersey has launched a website titled, “Rapid Reemployment Initiative” in order to increase the availability of employment information to dislocated workers. Finally, Virginia has been using the social networking site *Facebook* in order to contact dislocated workers who have been laid off without notice.

What are best practices in California?

The Alameda County Rapid Response program is regarded as one of the most successful in the state. A number of practices employed by the local Rapid Response program have been successful.

- One practice that has proved effective is the development and distribution of brochures by the local Workforce Investment Board with a view to increasing employer interest in Rapid Response services. This campaign has made more employers aware of the program, overcoming the problem of lack of awareness that has been identified in several states (for example, Massachusetts).
- The local Rapid Response team sends no more than two people to meet with an employer that is laying workers off. The reason for this is that employers are

more likely to share confidential information if there are fewer people in the room.

- Alameda County makes information on layoffs readily available to the public. Since the County monitors all layoffs and company closings, this information is collected and published in an accessible area of the website, in order to enhance the dissemination of layoff information as quickly as possible.
- Alameda County also collects employer and worker feedback, in order to identify areas for improvement in Rapid Response services.
- The County engaged in an effective collaborative effort with San Mateo County and the Bay Area Biotech Consortium Career Path Project. This project targeted airline workers who had been affected by the mass layoffs following 9/11, as well as out-of-work information technology workers. In association with *Genentech*, a major employer in the region, the Consortium outlined a three-month training curriculum. After workers had completed the curriculum, they were provided with internships at *Genentech*. Those who completed the internship satisfactorily were then offered positions at the company. This sort of targeted collaboration was especially effective, because it matched an employer with potential employees that had a useful skill set.

What is the local environment?

The previous question addressed Rapid Response from a national and state perspective. We now turn to the local environment.

How many businesses issue WARN notices each year in Santa Clara County?

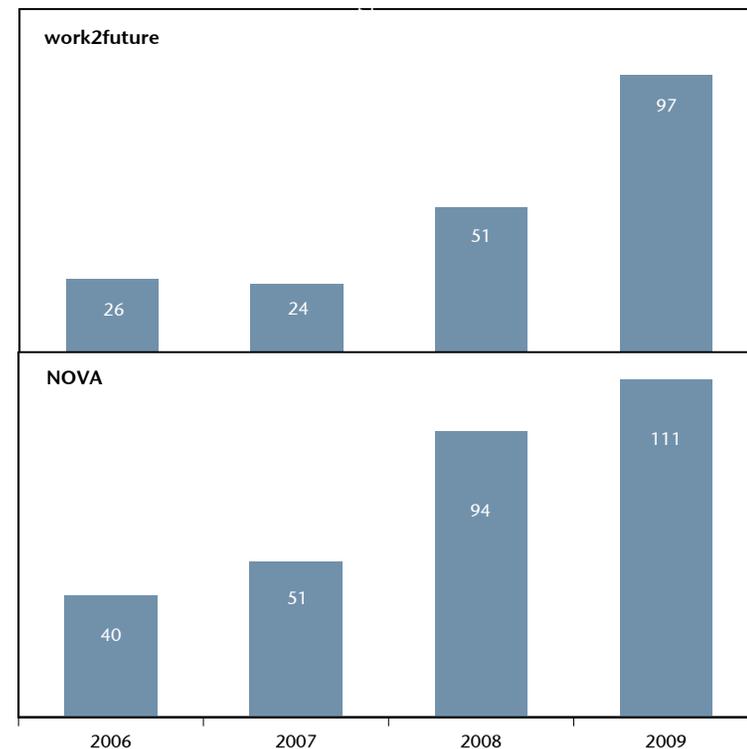
BBC analyzed the number of WARN notices filed since 2006 in the local workforce investment areas of San José/Silicon Valley (work2future) and North Santa Clara Valley (NOVA). Figure II-1 examines trends for 2006 through 2009. In 2009, 97 WARN notices were filed for the area served by work2future and 111 were filed within the NOVA area.

The State of California requires that Local Workforce Investment Areas (LWIAs) receiving Rapid Response funds regularly file a Rapid Response Required Activities On-site Visit Form (121). Form 121 provides evidence of on-site WARN visits affecting more than ten workers.² Overall, work2future and NOVA filed 121s for 85 percent of the WARN notices recorded in the two workforce investment areas from 2006 through 2009. On-site activities ranged from dropping off informational packets, to meeting with HR personnel to conducting presentations for affected workers. Although work2future and NOVA reported to attempt contact with all 2006 through 2009 WARN firms, in a number of cases, 121s were not filed. Reasons included:

- WARN filings affecting ten or fewer workers;
- Company closures; and
- Denial of entry.

² The State of California does not require that LWIAs file 121s for WARNs affecting ten or fewer workers.

Figure II-1
work2future and NOVA WARN notices, 2006-2009



Note: Totals include WARNs filed for ten or fewer workers.

Source: BBC Research & Consulting from work2future and NOVA internal records.

work2future. work2future filed 121s for 90 percent (178) of the WARN notices within the work2future service area from 2006 through 2009.

NOVA. NOVA filed 121s for 81 percent (240) of the WARN notices within the NOVA service area from 2006 through 2009.

Do work2future and NOVA respond to non-WARN layoffs?

In addition to responding to WARN notices, work2future and NOVA provided layoff assistance for firms that were not required to file a formal notice. In some years, non-WARN opportunities outnumbered WARN opportunities. In 2007, for example, NOVA responded to 53 layoff events where no WARN notice had been filed. work2future also reported many non-WARN responses.

The types of businesses issuing WARN notices were a cross-section of Silicon Valley employers and industries. Many first responses led to other WARN and non-WARN opportunities for work2future and NOVA. Many firms interviewed by BBC reported that they call work2future and NOVA about smaller layoffs even when they do not trigger a WARN notice. For the most part, the businesses that had received Rapid Response support from work2future and NOVA valued the services they received.

How do California WARN regulations differ from national regulations and other state regulations?

Federal regulations are governed by the WARN Act, first passed by Congress in 1988 and amended in 2007. California passed its own version of WARN in January 2003 and a number of other states have passed similar acts.

Federal requirements. The federal WARN act only applies to companies with 100 or more employees, although for any company this includes workers at all of the firm's locations — not just where a layoff is imminent. Covered firms must provide prior notice to affected workers 60 days in advance of the layoffs occurring.

California's requirements in many cases go beyond these. More detail on differences between federal and California law is provided later in this section.

State legislation. A number of states in addition to California have enacted legislation that parallels the federal WARN Act. In certain cases — such as New Jersey — states have sought to strengthen provisions relating to compliance. Among states without legislation that parallels the WARN Act, some have laws that overlap with certain aspects of the federal WARN provisions, while other states have no similar legislation.

- States with legislation that is similar to the federal WARN Act include California, Maryland, Massachusetts, New Jersey and New York.
- States with no layoff notification requirements beyond federal regulations include Arizona, Colorado, Florida, Georgia, Idaho and Michigan, North Carolina, Oregon, Pennsylvania, Texas, Utah and Washington.
- States with partial legislation include Illinois, New Hampshire and Virginia. Illinois does not have requirements governing mass layoff notification; however, the state does require employers to continue worker health benefits for nine months after termination. New Hampshire and Virginia both have some reporting requirements following layoffs, but these are not similar in scope to WARN requirements.

What is the local environment?

California law. California's law is similar in many respects to the federal WARN regulations. For example, the time period for advance notification is 60 days in both cases and many of the penalties for non-compliance are the same.

In other respects, however, the California version is stricter than the federal version. The California law applies to all firms with 75 workers or more and the legislation enables workers to sue in non-federal courts for non-compliance. Figure II-2 on the following page summarizes some of the key differences between the California and federal WARN regulations.

Figure II-2.
Key differences between California and federal WARN legislation

Feature of law	Federal WARN Act	California Layoff Protection
Size of firm for law to apply	100 or more, with different requirements depending on how part-time workers are counted	75 or more (including part-time workers)
Definition of plant closure	Permanent or temporary shutdown at a single site involving 50 or more workers	Any cessation of operations, regardless of number of workers affected
Definition of mass layoff	50 or more employees and at least 33 percent of workforce affected or 500 or more employees regardless of firm size	50 or more employees, regardless of firm size
Who requires notification	The affected worker; the state dislocated worker unit; the chief official of the local government where closure or layoff has occurred	Same as federal requirements plus local Workforce Investment Board; local notification must also be provided to chief official of both city and county
Exemptions	Includes possible exemption when employees have been offered transfer as part of business relocation; includes exemptions due to exceptional or unforeseen business circumstances	“Offer of transfer” and “exceptional or unforeseen circumstances” exemptions not applicable
Employer liability for non-compliance	Includes only payment of ERISA benefits; Company director or officer not individually liable	Includes ERISA benefits and other benefits; Company director or officer may be individually liable
Litigation relating to non-compliance	Either local government or employee representative may sue in the local U.S. District court	Either local government or employee representative may sue in “any court of competent jurisdiction”

Note: This is a summary of key differences and is not an exhaustive description of either federal or California WARN legislation.

Source: BBC Research & Consulting.

What are the impacts of state-imposed priorities for Rapid Response competitive- and non-competitive-funded projects?

Rapid Response assistance is funded through the Workforce Investment Act (WIA). Through the WIA, the federal government provides funds to the State of California for dislocated worker programs. The State currently allocates 25 percent of these funds to Rapid Response and Additional Assistance programs — each part receives one-half of the 25 percent.

The State passes on these funds to each of the LWIAs. This allocation is administered by the Employment Development Department (EDD). The rules governing how the State distributes Rapid Response funds to LWIAs are laid out in Workforce Investment Act Directive 05-18 (WIAD05-18). According to WIAD05-18, funds are allocated partly on a formula basis and partly through competitive solicitation. About 75 percent of Rapid Response funds are formula-based and the remainder is allocated through a competitive-bid process.

State priorities for Rapid Response projects. Beginning in 2004-2005, the Governor identified a number of State priorities for Rapid Response projects. These priorities only directly impact competitive-funded projects as the non-competitive funding of Rapid Response is based on a formula.

The State priorities are:

- Layoff aversion — specifically, developing approaches to identifying businesses that are at risk due to competitive factors;
- Developing partnerships with private organizations to minimize duplication of training efforts;
- Developing partnerships with private organizations to gather information on changing workforce needs;
- Innovation — developing innovative approaches to making Rapid Response systems more responsive to the needs of small and large businesses;
- Small business services — developing innovative approaches to providing rapid response assistance to small businesses; and
- Regional impact — projects focusing on specific regional industries or labor markets that are regarded as emerging, critical or changing.

These priorities will impact how funds are awarded for proposed projects submitted by LWIAs in response to solicitations from the State. Note that other criteria also play an important role in the award of funds for projects, including expected return on investment and WIA and administrative requirements.

SECTION III.
Assessment of Business Assistance

What layoff assistance are work2future and NOVA currently providing to WARN businesses and others?

We begin this section by examining the assistance that work2future and NOVA currently provide to businesses.

What are the successes?

As discussed in Section II, work2future and NOVA have been successful in responding to WARN notices.

Furthermore, businesses that have received Rapid Response services generally view work2future as committed, informative and flexible. Based on BBC's case studies of businesses that have recently filed WARN notices, even those not generally pre-disposed to government involvement described the WIBs as "responsive" and "available." Several businesses that BBC interviewed felt that work2future and NOVA's services were as good as those provided by private outplacement organizations.

work2future and NOVA have built a strong reputation with a number of businesses in the San José/Santa Clara area. For example, work2future provides monthly presentations at Lockheed Martin, often without a WARN notice filing. These types of relationships are important for work2future and NOVA to continue to cultivate in order to ensure that businesses are aware of their services and willing to use them if necessary.

What opportunities are there for improvement?

Despite success building relationships with some local businesses, awareness of each organization remains low. There are opportunities for work2future and NOVA to engage more with local businesses and develop partnerships with other organizations. By building long-term

relationships, work2future and NOVA are more likely to be seen as a supportive partner, and the likelihood increases that they will be asked to provide assistance when firms experience difficulties.

In addition to low overall awareness, there is a general perception among businesses that Rapid Response assistance is strongest for non-salaried staff and not as effective for 'professional' or highly-skilled workers.

BBC identified several types of organization that work2future and NOVA could develop partnerships with in order to raise their profile in the local business community.

- Organizations of Human Resources (HR) professionals, including the Northern California Human Resources Association and Silicon Valley Women in Human Resources;
- Business assistance organizations, such as SCORE, Women's Initiative and the Silicon Valley Small Business Assistance Center;
- Like-minded private firms, such as private outplacement firms and HR consulting firms; and
- Economic development organizations.

We discuss opportunities for these partnerships in more detail in response to the question, "How can work2future and NOVA increase overall awareness of services for business and dislocated workers?" later in this section.

What layoff assistance are work2future and NOVA currently providing to WARN businesses and others?

Are there creative methods that work2future and NOVA should consider? How do these methods apply to Silicon Valley?

A number of Rapid Response teams are implementing creative methods to help raise awareness of services. The best practices that other state or local agencies employ include:

- Alternative methods of outreach to local businesses;
- Targeting small business layoffs; and
- Providing assistance pre-layoff, including marketing services to businesses that are not laying off workers.

Alameda County, California provides an example of alternative methods of outreach. Montana has had success with targeting small business layoffs and Massachusetts has developed a reputation for effective pre-layoff assistance. These are discussed in more detail in Section II.

Should layoff aversion be a goal for work2future and NOVA?

Results of BBC’s focus group research and in-depth interviews with Silicon Valley human resources directors, employment attorneys, outplacement firms and other Rapid Response partners suggest that mass layoffs in Silicon Valley are carefully guarded, “top-down” decisions.

Because of top-level executive secrecy, when layoffs are planned, HR directors are among the last to know. HR directors are work2future’s and NOVA’s primary contacts; work2future’s and NOVA’s access to top-level executives is extremely limited. Even if work2future and NOVA had such access, decision-makers would be unlikely to share information about planned layoffs.

Layoff aversion assistance is unlikely to achieve success — when announced, layoffs are typically set in stone.

How does awareness of work2future and NOVA among Silicon Valley businesses impact acceptance of Rapid Response services?

Low awareness of work2future and NOVA hinders their ability to fully serve the Silicon Valley business community and those individuals seeking employment.

How can work2future and NOVA increase overall awareness of services for business and dislocated workers?

Through strategic outreach and partnerships, work2future and NOVA can build relationships with the Silicon Valley business community that will pay dividends over time. In addition to raising awareness of each organization, these efforts will expose the community to all of the types of services offered — not just the Rapid Response program.

Strategic outreach. BBC found that HR professionals are the gatekeepers to many organizations. HR professionals provide a network that can be used to efficiently market work2future and NOVA services and may form part of an Early Warning System (EWS). Outreach to HR professionals can be achieved through a number of approaches.

- **HR professional associations.** Building relationships with HR professional organizations and engaging with their membership at events is an efficient way to reach out to HR professionals. In Silicon Valley, the Northern California Human Resources Association and Silicon Valley Women in Human Resources are two prominent HR professional organizations. Professional associations are always looking to provide

their members with information and resources. By reaching out to these organizations, work2future and NOVA may develop opportunities to reach their members through presentations at events or through webinars or other association to member communications vehicles. Any of these activities will build awareness of work2future and NOVA among Silicon Valley HR professionals.

- **Conferences, seminars, webinars targeting the HR community.** Rapid Response partners who participated in BBC's focus groups described a variety of conferences and seminars that they or their peers develop for the Silicon Valley HR community. Depending on the topic, a presentation by work2future or NOVA would add value and serve to introduce each organization's services directly to the HR community.

How does awareness of work2future and NOVA among Silicon Valley businesses impact acceptance of Rapid Response services?

Strategic partnerships. Developing strategic partnerships with a selected set of public, non-profit and for-profit organizations presents an efficient and cost-effective method for work2future and NOVA to expand their reach in the Silicon Valley business community. Potential partners include:

- **Economic development organizations.** Area economic development associations are tasked with bringing business to Silicon Valley. These organizations are often among the first to know when a business is relocating or starting. This presents an opportunity for work2future and NOVA to build relationships with these businesses by providing placement services, for example.
- **Business assistance organizations.** Strengthening partnerships with area organizations such as SCORE, the Women’s Initiative, the Silicon Valley Small Business Assistance Center or the Northern California Minority Business Center, would allow work2future and NOVA to build relationships with businesses that are growing, and perhaps in need of employees, as well as with businesses in difficulty.
- **Like-minded private firms.** HR consulting firms, outplacement services, Employee Assistance Program (EAP) providers, law firms specializing in advising businesses about employment law and employee benefits consultants are natural partners for work2future and NOVA.

How can work2future and NOVA make services more attractive to businesses?

In general, work2future and NOVA’s services are attractive to businesses — once businesses learn about them. To be a partner to the business community, work2future and NOVA need to view businesses as clients. This approach includes:

- **Being a partner to HR.** In answering the previous question, BBC identified HR personnel as a key target for strategic outreach. Whether seeking new employees for the business or guidance about how to properly administer a layoff, HR personnel want work2future and NOVA to be their partner.
- **Being informative.** When it comes to layoffs, HR professionals rely on work2future and NOVA to inform them of the latest employment laws and regulations that must be followed. HR personnel trust work2future and NOVA to inform their displaced workers about the resources available to them.
- **Being flexible.** Not all layoff announcements happen during normal business hours. Whenever possible, being flexible in order to best serve the business and the displaced workers will be valued.

How does awareness of work2future and NOVA among Silicon Valley businesses impact acceptance of Rapid Response services?

How can work2future and NOVA draw on earlier successes to increase trust? What barriers exist?

Each contact with a business is an opportunity to strengthen the relationship. Consistent and professional delivery of promised services is essential to building trust.

Leveraging past successes. Both work2future and NOVA have a record of successfully providing employers with both placement services as well as Rapid Response activities. Building upon these relationships is an opportunity for each organization to leverage past success to increase trust.

- **Past clients.** Maintaining a relationship with past clients, regardless of the exact service performed, is an opportunity to continue to build trust. Share the complete suite of services offered by work2future and NOVA to past clients at the appropriate time.
- **Strategic partners.** Both NOVA and work2future have successfully partnered with private outplacement firms to provide services to dislocated workers. The private firms' trust in work2future and NOVA could serve as a bridge between each organization and the business being served.

Potential barriers. Several potential barriers may limit work2future and NOVA's ability to earn the trust of certain organizations. These include some firms' natural aversion to government intervention in their operations or a perception that the private sector is more effective than government.

- **Distrust of government agencies.** Some businesses may not want to invite government agencies into their organizations because they do not want to call attention to their employment or other business practices in the midst of a layoff.
- **Reliance on the private sector.** Some firms will prefer to retain outplacement firms to aid their displaced staff. In these cases, partnerships with outplacement firms will enable work2future and NOVA to reach these workers via the outplacement firm.
- **Real or perceived challenges associated with government employee's labor union rules.** With respect to the Rapid Response program, there may be an assumption that, as government employees, Rapid Response team members are less flexible than their counterparts in the private sector when it comes to scheduling presentations after normal business hours. Union rules may hinder Rapid Responder's ability to meet the private sector's expectations.

Most practitioners agree that early intervention is crucial to a successful Rapid Response system. By the time a WARN notice has been received by work2future or NOVA, it may be too late to intervene effectively. The principle behind an Early Warning System (EWS) is to help Rapid Response programs anticipate mass layoffs and plant closures before they happen or before a WARN notice has been received.

Many of the topics raised below are discussed in more detail in Appendix E.

What does an Early Warning System look like?

There are a number of approaches to identifying businesses that are struggling or likely to lay off workers. These different approaches include a number of data-driven methods, such as using Dun & Bradstreet's Financial Stress Score (FSS), as well as more people-driven approaches, such as developing a network of contacts in professional and commercial associations.

Dun & Bradstreet Financial Stress Score. The Financial Stress Score (FSS) predicts the likelihood that over the next 12 months a company will take one of a number of actions including seeking relief from creditors, ceasing operations or going into receivership.

D&B calculates a score for companies in its database, assigning to each a number from 1 (lowest level of financial stress) to 5 (highest level). An advantage of using these data is that it provides an overall assessment of a company's financial stability without the need for further modeling and analysis on the part of work2future and NOVA.

A disadvantage of this score is that it is updated only as companies update their information.

BBC explored the utility of the FSS by matching a sample of historical D&B data to historical data on WARN notices provided by work2future and NOVA. BBC found that companies with an FSS class of 3-5 were significantly more likely to issue a WARN notice in the following six months than companies in the 1-2 class.

DNBi alert service. Another approach based on D&B data is the DNBi alert service, possibly the most comprehensive, but also the most expensive approach. DNBi provides daily updates on the financial condition of businesses. The cost of monitoring the financial condition of employers with 50 or more employees in the Silicon Valley area is likely to be between \$10,000 and \$20,000 annually.

Altman Z-score. The Z-score is a formula for predicting firm bankruptcy. The score is a weighted average of five common business ratios based on metrics such as sales, assets and liabilities. Research has demonstrated that this score is an effective predictor of business failure; however, it requires gathering the necessary company financial information. At least one Rapid Response program (Iowa) uses it to predict mass layoffs.

Other modeling approaches. Some state and local government agencies have sought to develop customized models that use publicly available data. We discuss these approaches in Appendix E.

Industry reports. Other data-driven indicators of business health include reports that examine the health and prospects of different industries. While these may not be able to provide indicators for individual firms, they provide useful background information at the industry level and are relatively cheap. Examples include:

- First Research California State Profile;
- IHS Global Insight; and
- Hoovers.

Developing a network of contacts. Whatever the effectiveness of data analysis and modeling, a proactive approach to business outreach is also important. Mathematical models are not a substitute for good contacts and relationships with businesses.

This is best illustrated by the approach of the Steel Valley Authority (SVA) in Pennsylvania, where the SVA's Strategic Early Warning Network encompasses a wide range of services that ensure they are working with businesses to face challenges before mass layoffs occur.

BBC identifies potential partnership and possibilities for strategic outreach to other organizations elsewhere in this report. Many of these organizations can be part of an informal EWS.

Multi-agency cooperation. This is done most effectively in Massachusetts and New York, who are both developing a forecasting system that involves collaboration with other state agencies. In Massachusetts, state agencies have met at regular intervals to share information that can be used to identify struggling businesses.

What are the potential limitations of such a system?

Nationally, the development of a comprehensive EWS is still a work in progress. BBC's interviews with other Rapid Response practitioners have highlighted the challenges of developing an effective EWS.

In particular, efforts at developing mathematical models to identify mass layoffs in advance have met with mixed success. The predictive capabilities of such models may be too limited to enable work2future, NOVA or any agency to rely on modeling or similar data-driven approaches alone to identify at-risk businesses. BBC's research indicates that a comprehensive approach that combines data analysis with networks of contacts is most likely to be effective.

Timeliness of data is also an important issue. Many of the useful data sources available are lagging rather than leading indicators of company financial stress. In many cases, it is likely that firms in difficulty have already taken steps — including layoffs or plant closures — to address their problems by the time data analysis indicates these problems.

Cost is another potentially limiting factor which we discuss further below.

How can an Early Warning System be used to improve business participation among businesses with 50 or more employees?

In order to explore the effectiveness of a possible EWS system at predicting large firm layoffs, BBC developed statistical models to explore the relationship between D&B FSS and WARN notices in Silicon Valley.

D&B provided BBC with the FSS class (1 through 5) of 430 local companies with at least 75 workers. Of these, 34 issued WARN notices during 2007. Using these data, BBC developed a probit model to investigate whether companies with a high FSS class (3, 4 or 5) were more likely to issue a WARN notice compared to those with a low FSS class (1 or 2). This model also included other factors such as firm size and age.

BBC found that after accounting for other factors:

- Companies with a high FSS class were significantly more likely than others to issue a WARN notice in the following six months.
- The FSS class was not a significant predictor of a WARN notice more than six months later.
- Although some significant results for the model were obtained, the predictive value of the model was low.

Based on our findings, the FSS class appears to be a useful — although somewhat limited — tool for identifying firms that may issue a WARN notice in the following months. We discuss our findings in more detail in Appendix E.

How can smaller businesses (including vendors for large businesses conducting mass layoffs) be identified?

Some of the data approaches discussed above are relevant to small businesses as well as large firms. For example, D&B financial stress scores are available for all firms.

For any large company that experiences closures or layoffs, it is likely that smaller vendors and suppliers may experience knock-on effects. It may be possible to identify these during on site visits.

Outreach to HR associations discussed elsewhere in this report also provide opportunities to learning about small business closures

What barriers exist? Can these be overcome and, if so, how?

There are a number of possible barriers that exist in the effective development and deployment of an EWS. These include:

Predictive ability of models. Despite efforts by several organizations, mathematical models to predict mass layoffs remain limited in their predictive ability.

Cost. For many local agencies, cost is also an important factor to consider in developing a EWS. The cost to regularly gather, process and clean data for analysis may make the purchase of services such as DNBi appealing. However, these services themselves are expensive. D&B's FSS probably represents the middle ground in terms of the payoff between cost and utility.

Willingness of businesses to engage. Even in cases where modeling and data-driven approaches correctly identify struggling firms, there is no guarantee that these firms will accept any offers of assistance when approached. This provides another illustration of the benefits of engagement, outreach and strategic partnerships.

Outreach to Silicon Valley businesses raises the profile of NOVA and work2future with the business community and provides opportunities for each organization to increase awareness of the types of services that work2future and NOVA offer to businesses.

What are the best strategies for outreach to businesses with 50 or more employees?

In earlier sections, BBC identified a number of organizations for indirect outreach to large firms, including HR associations, private outplacement firms and economic development organizations. When reaching out to these groups, the an effective strategy for increasing awareness of work2future and NOVA might combine:

- Informational presentations;
- Webinars; and
- One-to-one relationship building.

Presentations could include explanations of current employment law and procedures (e.g., proper WARN notice filing). Presentations can be both informative and position work2future and NOVA as helpful experts, while spreading the work2future and NOVA message and raise awareness of each organization. The networking that accompanies these activities allows for work2future and NOVA to begin to form direct relationships, in particular with HR personnel.

Strategies for reaching out to private sector firms may be somewhat different, but have potential, given that large firms are much more likely than small organizations to retain private firms for outplacement services. As both work2future and NOVA have

experienced in the past, private outplacement firms are often willing to have work2future and NOVA bring them to the table. Other types of firms that serve the business community and have a natural crossover to the services provided by work2future and NOVA are firms that provide employment law advisory services to businesses and EAP- provider firms that facilitate crisis management. Relationships with these types of organizations position work2future and NOVA as a partner.

Are there different outreach strategies for smaller businesses?

Presentations and webinars delivered to the HR community will likely reach some small businesses. Additional outreach to small business assistance organizations, professional associations, trade groups and merchant associations may also help target this group.

Are there barriers that need to be overcome? If so, how can they be overcome?

Structurally, there are no barriers that would prevent work2future and NOVA from pursuing a strategy of outreach and engagement. Because staff time is limited, outreach efforts should be prioritized. As many target organizations serve all of Silicon Valley (or even greater geographic areas), work2future and NOVA should partner for presentations and collaborate on outreach efforts.

What are the best targeting strategies? Should some businesses be given priority?

With respect to Rapid Response or placement services, absent an effective Early Warning System or advance knowledge that a firm is hiring, there are few benefits to be gained from targeting per se. Efforts instead should be concentrated on increasing awareness in the business community of the services offered by work2future and NOVA. Allow strategic partners (e.g., economic development firms, private outplacement firms) to alert work2future and NOVA of the particular needs of individual businesses. As work2future and NOVA develop their own relationships with HR personnel, for example, firms requiring assistance will begin to reach out directly with requests for services.

SECTION IV.

Assessment of Assistance for Dislocated Workers

Is the assistance that work2future and NOVA give to dislocated workers valued by those workers?

Results from BBC's focus groups and in-depth interviews with dislocated workers suggest that respondents, who have taken advantage of work2future and NOVA services, are for the most part satisfied. Some services were valued more highly than others.

How do workers who have received assistance feel they have been served?

By and large, dislocated workers value work2future and NOVA services. Once through front desk "gatekeepers," dislocated workers find supportive, helpful staff. Programs and services reported to be of high value include:

- ProMatch;
- Toolbox and job readiness workshops; and
- Networking opportunities.

ProMatch. NOVA's volunteer-driven organization, ProMatch, is highly valued among its participants. ProMatch's strength is in its peer coaching. ProMatch offers dislocated workers opportunity to network while participating in mock-interview sessions including role playing. Due to its welcoming environment, some ProMatch participants make ProMatch volunteering a fulltime job; thereby, replacing job search with volunteer activities. As ProMatch is perceived as a popular "club," enrollment wait lists are long.

Toolbox and job readiness workshops. Toolbox and workshop "graduates" leave with increased job-hunting abilities including tailored-to-the-job resume writing. Similar to ProMatch, Toolbox and job readiness workshops create opportunity to enhance networking capabilities, which can increase dislocated worker confidence. Based on focus group and interview responses, dislocated workers value Toolbox and job readiness workshops as: a) mental and logistical preparation for a potentially strenuous job search ahead; and b) as an "open door" to other dislocated workers who share understanding of what being unemployed means. Computer training is another valued component of work2future and NOVA services.

Networking opportunities. Dislocated workers also appear to value networking opportunities. In addition to work2future- and NOVA-driven networking events such as Career Café and job fairs, workers learn how to use social media to their advantage (e.g., posting LinkedIn resumes, searching online applications, browsing Craigslist job listings). However, some perceived networking at work2future and NOVA as weak and limited to establishing relationships with "other unemployed workers."

Is the assistance that work2future and NOVA give to dislocated workers valued by those workers?

How do workers perceive work2future and NOVA assistance compared to other sources of help?

Based on focus group and interview responses, few dislocated workers have knowledge of job-seeker resources beyond work2future and NOVA. Some receive private sector outplacement services as part of their employee benefits package. Of these, many may turn to work2future or NOVA for additional guidance and training opportunities when their 30- to 60-day outplacement benefits cease. During current economic conditions when job searches span many months, short-term outplacement benefits often expire before the beneficiary secures a new job. work2future and NOVA services provide allowance for long-term assistance and could piggyback on short-term services being offered by outplacement firms.

What additional assistance would these workers like to see?

Dislocated workers report an inability to absorb early information coupled with an immediate need for transitional, life-skills training, and psychological and emotional support. Some desire increased opportunity for “one-on-one” career-transition and job search assistance. Many are frustrated that they are being primarily instructed to submit online job applications to large firms that do not respond. Some hear of others receiving WIB funds for out-of-WIB assistance, but do not know how to leverage outside opportunities through work2future and NOVA. For many, knowledge of and access to out-of-WIB resources offering more advanced classes is desirable (e.g., Microsoft Office and other products).

What opportunities are there for improvement?

There are several opportunities for work2future and NOVA to expand and adjust programs to better serve dislocated workers. Opportunities for improvement include:

- Recognizing ‘shock’ of workers on first receiving services;
- Meeting demand for ProMatch;
- Expanding job applicant outreach to include small businesses; and
- Improving networking opportunities.

Recognizing shock of workers. While workers generally feel that work2future and NOVA are sensitive to the emotional aspects of layoffs, there is also a sense that workers who have just been told they are to lose their job are in a state of ‘shock’ and are not always able to process some of the important information that is provided to them during on site visits. work2future and NOVA may be able to improve how information is delivered to workers in cases where they have only recently been notified of their job loss.

Meeting demand for ProMatch. Demand for NOVA’s ProMatch is high with a six month or longer waitlist. If resources allow, work2future and NOVA could consider expanding the ProMatch model to other Silicon Valley One-stops.

Is the assistance that work2future and NOVA give to dislocated workers valued by those workers?

Expanding job applicant outreach to include small businesses. Dislocated workers at work2future and NOVA learn job hunting techniques directed at targeting large companies. Through partnerships with small business assistance providers and the HR community, work2future and NOVA could identify potential job opportunities for dislocated workers at small businesses where getting a first interview may be easier.

Improving networking opportunities. Many focus group participants reported being limited by work2future's and NOVA's current networking opportunities. Connecting dislocated workers to external networking organizations, such as Silicon Valley Young Professionals or other professional/trade associations through periodic on-site presentations at work2future or NOVA, would help dislocated workers to greatly expand their network.

How are dislocated workers currently identified?

There are currently limited ways to identify dislocated workers. Even when WARN notices are filed by a business, names of curtailed workers are kept confidential. Dislocated workers typically learn about work2future and NOVA through a variety of loosely-defined channels. These range from word of mouth to referrals from outplacement firms to Rapid Response on-site presentations at WARN and non-WARN businesses. Below, we discuss in more detail how dislocated workers first learn about work2future and NOVA services.

Informal channels. Many in BBC's interviews and focus groups with dislocated workers reported hearing about work2future through conversations with friends, family members and staff of outplacement benefits firms.

Rapid Response presentation. Some — but by no means all — dislocated workers receive a Rapid Response presentation from work2future or NOVA staff. This appears to be one of the few formal means where dislocated workers can be identified. Voluntary sign-up sheets are the method used most often for collecting names of dislocated workers during presentations.

EDD. Some dislocated workers receive letters from EDD directing them to register with work2future or NOVA, while others are told about the WIBs in conversations with EDD staff. The formal notification of services through EDD letters appears to be inconsistent. Even when workers receive this notification, for reasons of privacy, work2future and NOVA do not receive contact information such as an email that can help identify the worker.

How do others identify dislocated workers? How can work2future and NOVA learn from others?

Other Rapid Response programs around the nation have had success in improving how they identify dislocated workers, based in part on pro-active outreach to businesses. work2future and NOVA may also be able to learn from the efforts of private outplacement firms, who have specialized skills in marketing their services to businesses.

Proactive engagement with businesses. Whether through a regular business visitation program (as in the case of New Hampshire) or through outreach to employer associations (Colorado), others have developed relationships that increase the likelihood of an employer connecting workers to Rapid Response services in the event of layoffs or plant closures. This increases the chance that dislocated workers can be identified.

In Massachusetts, team members are trained to make full use of visits to firms. Part of this is making sure that those visiting a firm ask the right questions: for example, identifying companies that are vendors or suppliers is a key step in identifying the knock-on effects of a plant closure. In this way, potential dislocated workers at other companies can be identified.

In Montana, career centers have conducted Rapid Response sessions in order to reach individuals who have been laid off from small businesses not covered by WARN. This approach has evidently been very effective. However, it requires close contact with small businesses in the area.

Can work2future and NOVA increase participation from dislocated workers?

Private outplacement services. Private outplacement firms that provide similar services similar to Rapid Response have developed techniques to market their services. These firms appear highly effective at marketing to professional associations (such as associations for HR professionals) and other organizations. Outplacement businesses employ a “sales team” whose primary goal is to meet business needs by being flexible and timely — meeting business needs around the clock. Where collaborations are possible, these private firms may provide a means for identifying dislocated workers.

What improvements can be made?

A number of improvements may be possible to help identify dislocated workers. In many cases, improved outreach efforts to businesses may improve results of worker identification in the longer term. However, work2future and NOVA should consider closer collaboration with EDD to develop formal processes for identifying laid off workers. Also important is maximizing the opportunities for identifying dislocated workers during on-site visits.

Work with EDD to consistently identify laid-off workers.

Although some dislocated workers are informed about work2future’s and NOVA’s services by EDD, this process is inconsistent. If possible, work2future and NOVA should work with EDD to develop a formal system that enables identification of dislocated workers and communication of work2future’s and NOVA’s services to the workers. For example, a system in which those completing forms for unemployment insurance for EDD are asked to provide an email address might be possible. Given the limitations on EDD’s resources, a simple, automated email-based approach might be best.

Make full use of visits. work2future and NOVA team members should take full advantage of visits to facilities that are closing or shedding workers. This includes finding out as much as possible about other local businesses where workers may be affected. In cases where presentations to workers are not possible, follow-up efforts may be appropriate to ensure that affected workers are identified and have been made aware of work2future and NOVA services.

Develop relationships with businesses. As part of a broader, proactive approach to marketing their services, work2future and NOVA should reach out to businesses in a way that increases the likelihood that firms know of and value Rapid Response services before layoffs take place. This increases the chances that work2future and NOVA will be able to identify dislocated workers in the event of a plant closure or mass layoff.

Develop relationships with private service providers.

work2future and NOVA could make further efforts to collaborate with private outplacement firms. This collaboration might include developing mutually beneficial relationships where private firms are prepared to identify dislocated workers to work2future and NOVA.

SECTION V.
Reporting

What are current reporting requirements? How can they be improved?

What are the current reporting requirements for local employers and how are they communicated to employers?

Local employers are required to report WARN notices pursuant to the federal WARN Act as well as California WARN regulations as described in Section II of this report.

Reporting requirements. The California EDD website specifies that employers must report:

- The name and address of the employment site where the plant closing or mass layoff will occur;
- The name and telephone number of a company name official to contact for further information;
- A statement as to whether the planned action is expected to be permanent or temporary and, if the entire plant is to be closed, a statement to that effect;
- The expected date of the first separation, and the anticipated schedule for making separations;
- The job titles of positions to be affected, and the number of affected employees in each job classification;
- An indication as to whether or not bumping rights exist;

- The name of each union representing affected employees; and
- The name and address of the chief elected officer of each union.

Employers in California are required to deliver notice 60 days before the plant closing or mass layoff. WARN notices must be sent to both the state dislocated worker unit (EDD in California), the local Workforce Investment Board and the chief elected official of the local county *and* city. The statutes allow for any “reasonable method of delivery.” Currently, most WARN notices are delivered by first class mail to the WARN Act Coordinator in the California Employment Development Department.

Communication methods. BBC is unaware of any direct communication of WARN reporting requirements to local employers. WARN reporting requirements can be found online through U.S. government or California State government websites.

BBC recommends that as work2future and NOVA reach out to local employers, information on WARN notice requirements and materials such as a WARN notice template be included in the outreach. By including WARN requirements and templates, work2future and NOVA help local employers clearly communicate in a timely fashion as well as fulfill the legal requirements of employers. A template would be as simple as an Excel

What are current reporting requirements? How can they be improved?

spreadsheet or a word document with space for the required information. Additionally, electronic or fax transmission may be “reasonable methods of delivery,” as stipulated in statute.

How can work2future and NOVA improve the efficiency of reporting?

Effective on January 1, 2010, all California Workforce Investment Boards are required by EDD to submit quarterly electronic (Excel spreadsheet) Rapid Response 121 forms, summarizing Rapid Response activities. Filing 121 forms ensure that work2future and NOVA receive funding for each WARN on-site presentation. These reportable site visits can include both WARN and non-WARN activities. The Rapid Response 121 forms record:

- Date of visit;
- Reason for visit — Planning or Orientation;
- The number of Orientations conducted on that date;
- Company name, address, city and ZIP code;
- Date of the layoff that caused the visit;
- The total number of employees affected by the layoff;
- The number of affected employees who attended an orientation; and

- Other comments that work2future or NOVA Rapid Response personnel choose to record in the file.

In addition to the EDD-required Rapid Response 121 form, both work2future and NOVA have internal systems to track Rapid Response program activities. As work2future and NOVA look to partner and coordinate Rapid Response activities, it may be beneficial for each organization to review the other’s tracking system. Wherever possible, using shared language to characterize different types of Rapid Response actions would support collaboration efforts. For example “Planning” visits reported to EDD on the Rapid Response 121 form may be characterized internally by work2future as “HR information” while NOVA may describe the action as “provide information to employer planning layoff.” Adopting the same language to describe activities will allow for consistent reporting and easier information flow between organizations.

work2future. work2future utilizes a shared *Excel* spreadsheet to maintain information on businesses they have served. Each spreadsheet includes a single fiscal year’s data on WARN and non-WARN activities. Data reported include:

- Business contact information;
- A human resources contact within the business; and
- Information about each Rapid Response event (i.e. WARN number, number of employees affected, event date and any notes).

What are current reporting requirements? How can they be improved?

This system is extremely user-friendly — staff are familiar with *Excel* — and is easily adapted to meet work2future’s needs. However, it lacks a central location for historical data on each company. For example, information on multiple Rapid Response events at one business may be located in several different spreadsheets. work2future would benefit from a database that stores all relevant information on any given company in one central location.

NOVA. NOVA currently uses a *Filemaker* database management system to store information on businesses. This system allows a business liaison to enter all relevant information, including:

- Business contact information;
- A human resources contact within the business; and
- Information about each Rapid Response event (i.e. WARN number, number of employees affected, event date and any notes).

Within this database, NOVA is able to access information on any company that they have worked with in the past and view all previous contact. This system is reported to work well for internal reporting because it allows a business liaison to review notes on the business, create contact reminders and review previous Rapid Response events. An additional benefit is that all of the information can be exported to an *Excel* spreadsheet. This feature makes the required quarterly reporting to EDD much simpler.

While this system has a great impact on the reporting side, it falls short on the business services side. NOVA has indicated that it would be helpful if the system allowed collaboration with job seekers. For example, if the system had the ability to input job openings with companies, upload resumes and resume matches, dislocated workers would greatly benefit.

Best practices. There are several opportunities for work2future and NOVA to streamline their reporting processes. The first and most important step is that similar language be adopted by both organizations. As discussed above, descriptions of events vary between organizations and even between staff within the organizations. Using current reporting systems, BBC recommends that work2future and NOVA define specific terms and implement drop-down lists in their respective databases for consistent and parallel reporting.

There is also an opportunity for work2future and NOVA to implement an updated database system. For example, *Filemaker* software would allow work2future and NOVA to run parallel databases. This database is also compatible with EDD WARN reporting requirements.

A third, more costly option, would be to consider an online shared database. For example, organizations, including *salesforce.com*, can customize a shared online database that allows for dual access and exchange of information, when necessary.¹ These more sophisticated

¹ Typically, no-cost online demonstrations are available from potential vendors to compare and evaluate potential systems.

What are current reporting requirements? How can they be improved?

systems also add potential components that could assist work2future and NOVA in providing better business services (e.g., resume uploading capabilities). However, the cost of online database systems could be prohibitive — there is typically a monthly fee for each user who receives access.

APPENDIX A.
Case Studies of WARN Businesses

BBC conducted detailed case studies of four businesses that have received Rapid Response services from work2future or NOVA. BBC interviewed Human Resources (HR) personnel and company decision-makers at each of the organizations. Each organization has filed at least one WARN notice in the since the start of 2009 and two organizations filed a notice in 2010. Study team findings are summarized in Figure A-1 on the following pages. BBC has kept business names confidential.

APPENDIX A. Case Studies of WARN Businesses

Exhibit A-1. Case studies of Silicon Valley WARN businesses served by work2future/NOVA

	Business A	Business B	Business C	Business D
Company profile				
Decision-makers impacting layoffs	Out-of-state corporate office leadership	In-state CFO	Out-of-state corporate office leadership	Out-of-state corporate office leadership
Firm size	100+ employees	100+ employees	100+ employees	100+ employees
Industry	Security and defense	Health	Manufacturing	Manufacturing
Recent WARN-filing year(s)	2008, 2009, 2010	2009	2009, 2010	2008, 2009
Responding WIB	work2future	NOVA	NOVA	NOVA
WIB notification	Post-WARN	Pre-WARN, one-month prior to mass layoff	Last minute, "Not a lot of time to get NOVA involved"	On-going as layoffs are imminent
Reason for layoffs, 2008 - 2010	Impacts of economic downturn	Impacts of economic downturn	Loss of major contract with non-USA government	Loss of U.S.-based military contracts
Number of dislocated workers, 2008 - 2010	160	50	100	500
Affected staff	Administrative, professional	Executive, professional, manufacturing, administrative	"Across-the-board" in 2009, 2010 layoffs limited to unskilled staff (some on their second round of layoffs)	Mostly manufacturing, administrative
Employee notice	30-day formal internal intent notice followed by two-week notice from HR	Five days in advance of end date	Same-day as end date	In compliance with CA WARN regulations
Curtailment procedure	WARN filing (if required) followed by two-week notice for affected staff	Employee notice followed by two-month extension of pay	Same-day employee notice offset by two-weeks pay	Set by internal legal staff in compliance with WARN regulations
Employee re-hires	None planned	None planned	2009 layoff resulted in many returning employees, 2010 re-hires expected	None planned
Others engaged	Internal legal support, no private sector outplacement	Right Management, a private sector talent and career management expert, EDD enlisted by NOVA	EDD	EDD
Level of WARN experience				
Regulatory process	Internal legal and HR staff well-versed in national WARN-filing procedure	Reported to have no internal legal counsel and no knowledge of federal WARN regulations	Fair understanding of federal and CA WARN regulations	Expert level
Filing history	Frequent local layoffs over tenure of business operation	First filing in business's ten year history	In sixty years, only the two local layoffs in recent years	Significant local layoffs over past three years including WARN and non-WARN
Filing barriers	Primary knowledge of WARN regulations not CA-based	Prolonged denial by CFO and other senior executives, no knowledge of WARN-filing requirements	Filing commitment, "[WARN filing is] more paperwork, we'd rather not have to file"	None reported as familiar with WARN-filing regulations

APPENDIX A. Case Studies of WARN Businesses

	Business A	Business B	Business C	Business D
Contact history				
First contact	Telephone contact initiated by work2future providing information on unemployment eligibility, CA labor laws, stimulus funding opportunities, employee training	Earlier contact through a mutual affiliation with Northern California Human Resources Association (NCHRA)	Early relationship with NOVA and its job fairs and services	Well-established history with NOVA, "[they are] local, we know them"
Other contacts	On-site visits at time of layoffs	Pre-WARN call initiated by business to NOVA, followed by NOVA's on-site meeting with HR Director	On-site visits at time of layoffs	On-going relationship with WIB leadership
Rapid Response services secured from WIB				
Layoff aversion	Not requested	Not requested	Not requested	Not requested
Pre-WARN	Consultation on CA WARN regulations	Consultation on WARN-filing best practices and templates	None reported	None reported
Post-WARN	On-site staff meeting in concert with EDD	On-site staff meeting in concert with EDD	On-site employee visit in concert with EDD	Drop off of NOVA's employee packets for firm-driven distribution
Barriers to receiving services	HR Director last to know, layoff numbers often small	Executive resistance to outside help — "government gets in the way"	Notice of layoffs last minute for HR Director, limited planning time	Frequent layoffs make on-site visits from NOVA impractical, preferred method is providing packets for hand-outs
Perceptions of Rapid Response assistance				
WIB personnel	Appreciated level of commitment from work2future even with low curtailment levels	Highly responsive and informative; however, heavy reliance on "individuals' knowledge" a potential problem for NOVA	NOVA staff "available" and "responsive" returning calls within 24 hours	Good working relationship
Audience	Perceived as best for non-salaried staff	Initially perceived by firm as a service for non-salaried workers with limited networking opportunities for professional levels	Perceived as best for manufacturing and non-skilled workers, however most workers were reported to be disinterested in NOVA classes (i.e., classes perceived as "going back to school")	Strong services for salaried workers, however not aware if services are used post layoff
Comparison to private sector services	As layoffs are frequent, the firm relies heavily on work2future's free services, no use of private sector outsourcing	"I realized after the fact that pay-for-service was indistinguishable from [NOVA's] free services"	Others better at professional networking	Engaging private sector services perceived as redundant, not needed
Employee package	Well-received	Well-received	Well-received	Good hand-out package

APPENDIX A. Case Studies of WARN Businesses

	Business A	Business B	Business C	Business D
Recommendations for work2future and NOVA				
Outreach	Contact HR professionals early to be top of mind when layoffs are imminent	Partner with professional organizations, strengthen ties to businesses' financial professionals, take advantage of opportunities to be added as links from others' websites (e.g., NCHRA)	Develop early relationships with HR professionals prior to layoffs	Continue to be "proactive rather than reactive" and encourage business visits to WIB's "brick and mortar" location (e.g., host annual open houses)
Communications	None	Provide a well-constructed HR packet including best practices, CA regulations and ways to share information between HR professionals	None	Sell WIBs as a "support network" and as "partners [to businesses]"
Services	None	Develop method for providing emotional support as a transition step from job loss to job search	Provide life-skills classes focusing on emotional and practical implications of job loss (e.g., "getting back on your feet," bill-paying, avoiding foreclosure)	Offer services that parallel Employee Assistance Program (EAP) models to help dislocated workers manage emotional and financial challenges of curtailments
Operations	Continue to conduct on-site visits not limited by small layoff numbers	Increase WIB's opportunities for transferring knowledge through employee shadowing of senior staff	Maintain in-house unemployment filing stations as attractive one-stop shopping	Pay attention and respond to internal metrics of what services are used, not used, "have a back-up plan"

APPENDIX B.
Results of Dislocated Worker Focus Groups
and Telephone Interviews

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

Through focus groups and in-depth interviews with dislocated workers, BBC explored the following:

- How do dislocated workers learn about work2future and NOVA?
- What types of assistance do dislocated workers need most?
- What programs and services delivered by work2future and NOVA are most valued by dislocated workers?
- How do workers who have received assistance feel they have been served?
- How do these workers perceive work2future and NOVA compared to other sources of help?
- What additional types of assistance would these workers like to see?
- What recommendations do dislocated workers have to improve the programs and services provided by work2future and NOVA?

Other topics that dislocated workers discussed included entrepreneurship, work2future and NOVA Rapid Response materials, observed differences between NOVA and work2future, their experience obtaining unemployment insurance, the perception that some businesses do not want to hire the unemployed, and the impact

of layoffs on older workers. In addition, some participants discussed their emotional attachment to work2future and NOVA.

Key Findings

1. Partner with the Employment Development Department (EDD) to ensure that unemployment insurance applicants are consistently being informed about the existence of work2future and NOVA.
2. On their first visit, give every dislocated worker an outline of the steps they may need to take in order to qualify for classes or training opportunities (e.g., Toolbox or ProMatch).
3. Consistently share information about all programs and services. Too often participants described learning about work2future or NOVA programs or services from second-hand sources.
4. ProMatch is highly valued. Given the program's waitlist, consider expanding it to other areas.
5. ProMatch and Toolbox alumni and other satisfied customers are natural advocates for work2future and NOVA. Leverage this source of word-of-mouth outreach by encouraging these people to share the work2future and NOVA story with their personal and professional networks.

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

Participant Profile

BBC moderated two focus groups and completed 24 in-depth interviews with dislocated workers.

Focus group participants. Participants in the dislocated worker focus groups were a diverse group, but also had certain features in common.

- Participants generally ranged in age from 40 to 60;
- Participants were white, Hispanic American, Asian-Pacific American, Subcontinent Asian American and African American men and women;
- Most had been unemployed for six months to more than a year and all were currently unemployed;
- Many had been with their former company for twenty or more years;
- Most of the participants were highly skilled, including engineers, software developers, computer programmers, middle and senior-level managers, systems analysts, and sales and real estate professionals; and
- Several of the participants had worked in administrative roles.

Interview respondents. The following tables profile the dislocated workers interviewed by BBC.

Age. One-half of the dislocated workers interviewed were age 50 or older. Figure B-1 summarizes the age characteristics of interviewees.

Figure B-1.
Interviewee age

Age range	Number	Percent
30 - 39	4	17 %
40 - 49	6	25
50 - 59	10	42
>60	4	17
Total	24	100 %

Source: BBC Research & Consulting

Gender. As shown in Figure B-2, interviews were nearly evenly split between men and women.

Figure B-2.
Interviewee gender

Gender	Number	Percent
Male	11	46 %
Female	13	54
Total	24	100 %

Source: BBC Research & Consulting

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

Race/Ethnicity. Figure B-3 shows the race/ethnicity of participants. One-half of the interviewees were white.

Figure B-3.
Interviewee race/ethnicity

Race/Ethnicity	Number	Percent
African American	3	13 %
Asian American	2	8
Hispanic American	5	21
Subcontinent Asian American	1	4
White	13	54
Unidentified	<u>0</u>	<u>0</u>
Total	24	100 %

Source: BBC Research & Consulting

Length of unemployment. As shown in Figure B-4, more than one-half of the interview respondents had been unemployed for at least seven months.

Figure B-4.
Interviewee length of unemployment

Length of unemployment	Number	Percent
0 - 6 months	8	33 %
7 - 12 months	8	33
>12 months	<u>8</u>	<u>33</u>
Total	24	100 %

Source: BBC Research & Consulting

Current employment status. One of the interview subjects is employed. Employment status of interviewees is shown in Figure B-5.

Figure B-5.
Interviewee employment status

Employment status	Number	Percent
Unemployed	23	96 %
Employed	<u>1</u>	<u>4</u>
Total	24	100 %

Source: BBC Research & Consulting

How do dislocated workers learn about work2future and NOVA?

Dislocated workers learn about work2future and NOVA through a variety of informal and formal channels. These range from word of mouth to referrals from outplacement firms to Rapid Response presentations.

Word of mouth. Many dislocated workers learned about work2future and NOVA via friends and family or through their professional network.

- “I just sort of stumbled on this because of a comment made by a friend who was also laid off who had heard about it, and then I checked it out.”

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

- “I went to a networking thing through my professional organization and someone said, ‘Oh, join ProMatch,’ and I said, ‘What’s that?’ So, I showed up for orientation, and then of course you have to join Connect and I started taking classes here.”

Past experience. Several of the participants had experienced multiple layoffs over the course of their career. As such, they were familiar with work2future and NOVA due to their prior instance(s) of unemployment.

- “I knew about NOVA and I’ve used NOVA before so I came right away and have been using the services.”
- “I knew about the Connect Center because I have had a number of jobs over the years and this has always been a good place to come and it was nice to see.”

EDD. Some dislocated workers received EDD directing them to register with work2future or NOVA, while others were informed through website visits or conversations with EDD staff.

- “I didn’t know where to go. I mean, I got a little handout that talked about EDD, and so I looked around online and found Caljobs and started trying to get set up. But, it had been 20 years since I had written a resume, so you know I had no clue how to do that. Through the EDD website I think it said go to this office, which was the Campbell office and I just stumbled into the work2future thing.”

- “When I got laid off, I didn’t have anybody say anything to me. So what happened was that I got on to the EDD website and I was reading it, reading it ... and then when I had my interview, I was lucky that the person that was interviewing me from the EDD office had mentioned that I should go down and register for work2future. Otherwise I would have been a lost puppy not knowing what the heck to do.”

Private outplacement firms. Some participants who received private outplacement services as part of their severance package were introduced to work2future or NOVA via the outplacement firm.

- “I found out about it through [a private outplacement firm]. They actually had [NOVA or work2future] come in on a day and talk about it.”
- “Then there were layoffs and they provided us with outplacement at [private outplacement firm]. That was for a month, and then I joined Connect, and I’m currently a member of ProMatch.”
- “I was laid off in February. So they had three months of [private outplacement firm]. When that expired I heard about Connect. So I joined here and now I’m in ProMatch.”

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

Rapid Response presentation. Some of the participants learned about work2future and NOVA through a Rapid Response presentation.

- “As part of the company’s resource action package they had the [private outplacement firm] for us at the facility I was at. Because they were laying off several people at the same time, they brought in someone from EDD, as well as work2future, to come and give us a description of those services. I found out the Connect Center was a little bit different, but actually closer to where I live than the work2future, and so that’s how I got linked up with the Connect Center here.”
- “It was helpful to let us know that these services existed.”

What types of assistance do dislocated workers need most?

Dislocated workers need different types of assistance depending on their situation. Upon being laid off, psychological/emotional support and obtaining unemployment insurance is their primary concern. Once they have applied for unemployment insurance, dislocated workers need help preparing a resume and developing a job search strategy. Many realize they need skills updates, re-training or coaching in the course of writing their resume. Those that have been unemployed for a very long time may need guidance about transitioning their skills to a different field or industry.

Unemployment insurance. Obtaining unemployment is the first thing on the mind of every dislocated worker.

- “I need to apply for unemployment. How? What to do? I’ve never done this before.”
- “The first thing I did was file for unemployment, and then I started updating my resume and applying for jobs.”

How to write a resume. Dislocated workers are not only interested in learning how to craft a resume; they want to know how to make their resume stand out to employers.

- “The other thing I know I needed help with when I first started was a resume, because it had been over nine years, and I’m sure the rules and what you put in and what you don’t put in and all of that had changed.”
- “The next step [after applying for unemployment] is to figure out is the resume. The resume is huge. You have to do background work before the resume to collect and understand all your skills, experience — all this went before the resume. You need to figure out what’s your situation, what’s your possibility, maybe it’s time for a transition. All that went before you even think which way to go.”

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

How to search for a job in the 21st century. For those dislocated workers who last applied for a job before the advent of the World Wide Web or social media such as *LinkedIn*, *Facebook* and *Twitter*, the method and tools used for job searches have changed dramatically.

Online applications. Many firms require prospective employees to complete online job applications or to submit resumes to an online database. Dislocated workers need guidance on the best strategies to pursue when they have to submit applications or resumes online.

“Sending resumes through the Internet — they are trying to match us close to the job description because a lot of the resumes are not even looked at by a person — a computer will look for the words that they were looking for on the job description, and if it doesn't find the words it kicks your resume out. That's one of the things that you learn here which is good, because it's different than it used to be.”

Networking skills. Brushing up on networking skills is important to dislocated workers, particularly those who have not searched for a job in many years.

Networking via social media. Learning how to use social media applications like *LinkedIn*, *Facebook* and *Twitter* to electronically network and support a job search is important, particularly in the tech-heavy Silicon Valley job market.

- “I think part of it, for me, it's the tools that are being used to market yourself. For example, there was no *LinkedIn* a few years ago. So NOVA had two classes, one beginning and advanced, and I was able to use that. And now it's social media. So how do you use the social media to market yourself? So all these things, not the traditional ones that we were used to — like just posting your resume on Monster and Career Builder — there is more to job searching these days, so NOVA has provided all those tools.”
- “One of the things that I was taught here was you have to be in *LinkedIn* otherwise you are nobody. Employers will look up your *LinkedIn* thing.”

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

Guidance for career transitioning. Displaced workers need guidance on how to apply their current skills to create opportunities in completely different industries.

- “Well my situation was very hard. Even though I went here to NOVA career coaches, nobody actually told me, ‘OK, you have computer skills. Let's talk about what else you can do.’ I went to the Green Tech class; I just had free time and this was free class. The teacher said, ‘Why do you want to do every single class?’ She was actually asking, ‘What do you want to do? Where do you want to be? What kind of position do you want to be in?’ And then she told me, ‘You're not admin, you're HR with all of your skills.’ So I asked, ‘What is HR?’ She was such a lifesaver because she's the one who told me that, ‘With your skills, as much as I know about you, go to this area, to HR.’”
- “I've got a buddy that works at [private firm]. He's been there for like twelve years, and I've talked to him about my situation. He feels that I have a very good background in the medical device industry, but he's asking me whether I've considered regulatory compliance as a possible career path in that industry, because he feels that he can help me find a job at his company, if I take some classes, and I think that is a terrific idea.”

- “Well this is my second layoff and I've only been in the workforce for ten years and I'm looking for my third job. I'm kind of getting tired of it. I don't think that being a lab tech is very stable, and I would like more security. So, I was thinking that maybe I'll pursue education. I just think [this layoff] gave me a chance to think about pursuing something else.”
- “I have been doing engineering for 30 years. I was kind of burnt out on it. I was thinking maybe this is a time for a transition, and so I was inquiring about maybe getting training for something different and that's kind of how I got drawn into the work2future program.”

What programs and services delivered by work2future and NOVA are most valued by dislocated workers?

Dislocated workers valued many of the programs and services offered by work2future and NOVA. Any individual who had participated in ProMatch valued it extremely highly.

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

ProMatch. As mentioned above, those dislocated workers who had experience with ProMatch found it to be a very valuable experience. Participants also complimented the ProMatch staff.

- “A special thanks goes out to the staff of ProMatch. There are only three of them, and they deserve a lot of credit. We call them the Holy Trinity because they’re so great. All the success stories always come back to the meetings, and when they’re telling their stories, they’re all especially thankful to those three. These success stories are very encouraging. The counselors deserve credit too, and the facilitators do great — they’re structured and organized.”
- “I have really enjoyed ProMatch — it is a higher level of coaching — they show you a different way of approaching job searching.”
- “It’s very good. There are lots of classes, teaching you how to network, how to write your resume and how to do an interview.”
- “I found out about ProMatch and I joined that within a month. I really got to learn how to network with other people, because that was my weak point — talking to other people, talking about the job search. Once I joined this, I was in love with it.”

Toolbox Class. Participants who had taken the Toolbox class found it to be very valuable. One participant suggested expanding the career transition portion of the class. Participants spoke very highly of the Toolbox instructor.

- “They taught you how to do resumes. They even had you do a fake interview where they filmed you and showed it back to you. And, they just described a lot of the things going on in the industry, in the business area, and different ways to look online for jobs through other government agencies, and things. It was just a really good overview of how to re-approach the job market when you are not used to looking.”
- “One of the things that I got was everybody that was looking at my resume was going, ‘You’ve got mad skills here. You know, you should concentrate on using those and maybe go to another industry — because I’m in the semiconductor industry — maybe take it to solar or something because it’s engineering. Instead of looking for a different job altogether, try taking the skills you have.’ That gave me a different perspective and a different approach to follow, so that was good counseling.”

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

- “I signed up for Toolbox and I looked at this like, ‘Oh my God, this is going to be like a week of driver's training class, where you know each day is going to drag by.’ I came here for Toolbox, and I had a great time. I learned a lot, and that was when I really first went, ‘Hey, you know, there's people who care.’”

Resume writing. Resume writing services are extremely important to displaced workers.

- “Work2future has been very helpful. My main problem was my resume, and they have really helped with that. I get so much feedback; they are really helping me to iron out the kinks.”
- “I just learned how to write my resume — how to make it more concise and condensed.”

Job search strategies. Job search strategies are very important, particularly to those who had not been on the job market in many years.

- “They are teaching us how to think outside of the box in the job search. What can I do other than just send in a resume online, what will make it or me special?”
- “What I'm learning at ProMatch and through some career transition support groups is that 85 percent of jobs are found by personal contacts, by people that you know and by talking to people that are working doing the type of work you like to do.”

Career Café. Participants valued the Career Café, particularly the motivational speakers and the opportunity to network.

- “I go to the Career Café a lot and the feedback on my resume there has been great.”
- “The Career Café has been great — they have excellent motivational speakers.”

Career assessment. Those participants who had the opportunity to take a career assessment found value in the process.

- “That was good. There were a number of tests like the Myers-Briggs®, evaluating your skills and values, and just getting a better sense of yourself and how your skills could transfer to other areas that you are interested in. It also can reaffirm if what you are doing was the right thing to do.”
- “I did find it nice and helpful.”

Job fairs. Job fairs were rarely mentioned by participants. Based on the discussion, job fairs are only as valuable as the job opportunities represented at the fair.

- “They also have job fairs, those have been really helpful. The networking opportunities have been great.”

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

- “It would be helpful if they had companies that came in to talk to us; I am not getting any direct feedback from companies. They send us to job fairs, but then there are schools there trying to sign us up. And all of the companies at the job fairs won’t even take resumes; they just tell us to go apply online. So you end up just waiting around all day and no one will take your resume. For the job fair I printed out 20 resumes, I went out and spent money on that and didn’t even hand out one.”

Rapid Response presentations. Several of the participants recalled either work2future or NOVA making presentations with EDD at their workplace.

- “Well, I don't know it was pretty cut and dry to me. Just here's the paperwork and read it. There wasn't really, you didn't get any warm fuzzy feelings about it [Rapid Response presentation].”
- “It was about four hours of presentations. It was a combination of work2future and EDD, first work2future and then EDD. I thought, at least we will have a place where we could find a job and get some help.”

How do workers who have received assistance feel they have been served?

By and large, workers are pleased with the assistance they’ve received from work2future and NOVA. Participants were complimentary about most of the personnel at work2future and NOVA.

- “I feel like I’ve improved a lot. The services have been so helpful. I have learned about filling out applications online, corresponding online, job searching online. I think that I am a better person now. I’m not scared of interviews now. I know how to prep for an interview, and how to answer the questions that they ask. I’m brewing with confidence. I know how to answer questions and I have good answers.”
- “I find that they are useful. They have helped me to be more aware of what it’s like to be laid off I worked at [company name] for 25 years. I hadn’t experienced being out of work, and they are helping me to walk through this and look for opportunities wherever I can.”
- “Everybody that I met through work2future really seemed interested in helping, and that was obvious. So that's when I first started realizing there are some people on my side.”

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

How do these workers perceive work2future and NOVA compared to other sources of help?

Other than NOVA and work2future, the only source of outside help discussed was private outplacement services.

Private outplacement firms. Participants described their experiences at private outplacement firms, but they did not directly compare work2future or NOVA to the private firms.

- “I’d say the resume writing was helpful but I would say their approach was very unrealistic — what their approach was is to target companies right around your house so you can get a job if you want to work five miles from where you live, target those companies. So I didn’t find their job strategy and seminars realistic; not in this economy, you don’t just target a five mile radius and say that’s where I want to work. Try a 50 mile radius.”
- “We did [private outplacement firm] training. They came over to the office, taught us how to write a resume and all of that, but we weren’t ready, so coming into work2future was just brushing up.”

Experience with different One-stop Centers. Participants revealed inconsistencies in the quality of services provided at different One-stop Centers. While the overall perception of One-stop Centers was positive, some participants were critical of the Center that they had attended. Based on participants’ responses, there appear to be substantially inconsistencies in the provision of services between Centers.

What additional types of assistance would these workers like to see?

In addition to identifying an early need for psychological and emotional support to help transition recently dislocated workers to starting a job hunt, focus group participants recommended a number of potential improvements to work2future and NOVA services.

Advanced classes. Participants expressed a desire to be able to take more advanced software classes.

- “I think that they should extend the computer classes; instead of just having a class on the basics they should offer an advanced class. They could also offer classes on writing, and maybe some English classes, they would help a lot of us. I know my limitations now; it took losing my job to realize my skills were deficient.”
- “I know that they have training for Excel, but I think that they need a more advanced class, beyond just the basics.”

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

More one-on-one assistance. Not surprisingly, participants would appreciate the opportunity for more one-on-one assistance.

- “Some of the services that I think would be helpful include one-on-one counseling that can address your specific needs. For example it’s great to take a resume class, but if I need more help it’s nice to be able to have one-on-one assistance.”
- “I think it would be helpful to be able to have a follow up at three months, maybe every three months, to sit down and talk to your coach again one-on-one. To say, ‘Here’s where I’m at,’ and let them maybe throw some suggestions for where you are now and for what you’ve tried. I think that would be really helpful, just to keep you focused, because it sounds like a lot of us are drifting with no real kind of direction. We need somebody to say, ‘OK, why don’t you try this, X, Y and Z and see how that works.’”

What recommendations do dislocated workers have to improve the programs and services provided by work2future and NOVA?

Dislocated workers offered several suggestions for improvement.

Expand ProMatch. Those participants who experienced ProMatch were highly complimentary about it. They recommended expanding ProMatch.

- “ProMatch — duplicate it everywhere you can, especially in San José. A lot of people drive over 50 miles to get there, twice a week.”
- “ProMatch was the most helpful; it provided continual contacts, networking, and a chance to give back and provide a sense of purpose and value. The ProMatch structure really makes me feel valuable and very positive about the entire process.”

Clearly communicate the steps at the first visit. Particularly at work2future, dislocated workers need to understand the process on their first visit. Encouraging them to attend an orientation is important, but they also need a simple handout that explains all of the steps, and shares the payoffs from completing the steps — the Toolbox week-long workshop, Career Café, etc.

- “I think when you first join you need a clear path of this is what you do and this is the order that you do it in.”
- “At first I didn’t really understand what work2future was. What are the training opportunities? I didn’t really know. I think it would have been helpful if at the beginning they had laid out clear steps that I needed to take. It seemed that my path kept changing and it was confusing to figure out what I need to be doing.”

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

- “I didn't know what to expect from work2future. Like I said, I kind of came in, and they sat me down with somebody and they signed me up for a bunch of tests, and I didn't even realize what I was getting into. So, I took the test, and I was basically inquiring about getting some job training, and they said, ‘well, you have to go through these steps first.’ But, they kept changing every time I came in.”
 - “There's a lot about work2future that is kind of ambiguous to me, but the way that I look at is I got what I got out of Toolbox. Other than coming to like Career Café and stuff, I haven't really utilized many more of the opportunities that are available just because I feel like now that I have different direction I'm pursuing, I don't need that as much.”
- Improve class registration process.** Overall, the work2future class registration process needs improvement. Participants were confused about the process. Some wait in line for hours, while others are signed up by their talent coach.
- “For the computer classes you have to sign up the month before in what is kind of a demeaning process. They use a lottery system, which I think is fair, but the process could be better. Last month people started lining up at 5:00 in the morning.”
 - “I spend hours just to get a meeting with the counselor, only to be told that the class is already full. And work2future is confusing, some days you sign up for classes up front, and other days it's a different location. And then we just all stand around in a room waiting for them to herd us to the classroom.”
 - “There are so many hoops to jump through for work2future. I got there at 8:15 in the morning and it wasn't until 2:30 that someone finally told me that that the computers were down. You have to sign up for the classes with a counselor, but the counselors are booked out weeks in advance and it's hard to get an appointment. It feels like you are spinning your wheels.”
 - “They publish a calendar of classes, and it comes out online. What you basically need to do, and they have like three days; it's going to come out within that three day radius. You kind of have to stay glued to your computer, so when that calendar comes out you have to make a beeline down to unemployment and sit two, three hours at least to get on the list to take the classes.”
 - “Well, that's what the talent coaches are for [signing up workers for classes].”

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

Share information about programs and services. Throughout the discussions, participants described learning about different programs and services by “networking” with other displaced workers they met at Centers. A menu of the different programs and services that are available is desired.

- “They have services here that if you want to start a business they will assist you, but I just found that out recently, basically through the Career Café. They had a speaker come in and talk about the business services that they have here, so it was good to know about that, but again some of these things you find out about accidentally and I don't know if there is a central document that work2future has that outlines all their various resources and how to approach any of those resources.”

Work with EDD to consistently tell the unemployed about work2future and NOVA. Participants thought that EDD should share information about work2future and NOVA when people fill out their unemployment forms.

- “It seems to me that, since basically one thing that everybody has to do when you become unemployed — if you want to still have an income — is apply for unemployment. At that point, when they are giving you your forms for unemployment, they should notify you that these are some of the services that are available to you that will help you get a job, because it would behoove them to get us off of unemployment as soon as possible, so anything that would get us closer to getting back into the job market again would be beneficial.”

Clear up training benefit confusion. Some focus group participants questioned why some people qualified for \$3,000 in outside training, while others were approved for \$6,000. Participants were not able to clearly explain how these funds were allocated.

- “Another thing I was curious about is that this package [Rapid Response] is for work2future and NOVA, right? But, there is another program that NOVA only supports up to \$3,000 and work2future does for \$6,000?”
- “No, it's the opposite, work2future is \$3,000 and NOVA is \$6,000.”

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

What are other important considerations with regard to dislocated workers being served by work2future and NOVA?

Participants also discussed entrepreneurship, work2future and NOVA Rapid Response materials and observed differences between NOVA and work2future.

Entrepreneurship. The dislocated workers who participated in the research seemed to perceive becoming a small business owner to be a very risky proposition.

- “Well, I thought about it, and I took a class at SCORE. They taught us what tools there are. It was very helpful, and I’m interested in having my own business, but at the same time, it’s just the situation. Where do you get the funds? When you are unemployed, the banks won’t give you the funds.”
- “It’s a risk. I mean, if the business is not doing well, even if you have a little savings, and you put that into the business, and if you don’t get a job again, it’s just too much risk.”

Rapid Response materials. Participants reviewed work2future and NOVA’s Rapid Response materials. In general, participants thought too many individual materials were included in the packets. They described how they would have reacted to the materials if they had received them just after being told they were being laid off.

- “When you are laid off you get that big old packet. You’ve got COBRA to deal with. You’ve got unemployment to deal with, and the emotional thing to deal with. And I think it’s great to have stuff when you are ready, you go, ‘Oh, where is all that stuff?’ But I think that when you are sitting there and they are telling you, ‘Sorry bye,’ you just can’t handle it [going through the materials].”
- “This is what they brought to the meeting, when they met with us, and this was lovely, but we look for ‘what’s in it for me?’ It was the first thing we did. The thing that jumped out in the package, at least when we got it, was the calendar of items, the different workshops [NOVA calendar].”

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

What are the unforeseen impacts of being unemployed?

One of the frustrations participants shared was encountering applications and job descriptions that automatically exclude the unemployed from applying for a position.

- “I actually came across one company who, based on their online application, it seems they didn't want to hire anyone that was laid off. They had a mandatory field where you were required to list your current employer, and if you couldn't fill something in that field, you couldn't get on to the next screen.”
- “What I'm noticing is that there's just a brick wall. There are so many people looking, and job announcements are saying, 'well if you haven't worked in the last year don't bother applying.’”
- “I have an accounting degree and I used to be an Assistant Vice President; I have a good resume and I have skills, but employers are not interested because I have been unemployed for so long. For a lot of positions you have to put a current job. I mean I go to all the job fairs, and I don't get any call backs. Even with all of the help that the government gives you, they just really need to help those of us who have been unemployed for more than a year.”

Impact of layoffs on older workers. Participants discussed the myriad challenges mature workers face after a layoff. These range from being on the job market for the first time in decades to needing skill updates or to shift their employment search to entirely new industries.

- “I went to the mature workers workshop here, and I never saw such an angry, such an underlying angry group of people, because you know these are people who had the same job for like 25 years. They didn't know how to go about it. They felt betrayed by their company. Others of us had been through the mill a bunch of times, so we kind of know what to expect. But there is still this frustration about, ‘I didn't do anything wrong. I lost my job. There aren't jobs for me to find.’”
- “There're a lot of reasons you don't get the job. You're over-qualified. You want too much money.”

APPENDIX B. Results of Dislocated Worker Focus Groups and Telephone Interviews

How does EDD fit into the process?

For the most part, focus group participants reported negative perceptions of California Employment Development Department (EDD). Most reported phone filing for unemployment and were not aware of available, “easier” online-filing options.

Frustration. Many comments demonstrated a high level of frustration with EDD staff and services:

- “EDD are not polite.”
- “They are like policemen, ‘What is wrong with you? Why don't you understand this?’”
- “I did have a really horrible experience with EDD. Once I was finally able to get a hold of someone, the person completely berated me for filing so late, they just yelled at me.”
- “They sent me a letter saying that they were going to call me, and I got the letter Friday, and they were going to call me on Saturday. I was planning on being out of town, so I had to cancel my plans, and they never called me.”

Overburdened system. Participants acknowledged that EDD’s system is overburdened and understaffed.

- “They put you on hold for two hours.”
- “They are overloaded.”
- “I think there are a lot of changes now. I used EDD before, years ago, ten years ago or so, and you were getting your answers right away, and you could pick up the phone and get to someone right away. It is the volume that is the problem.”

Misinformation. Participants voiced dissatisfaction with not being able to receive consistent directions from personnel.

- “They actually don't really seem to know what they are doing. I had to wait three months before I got a unemployment check because they cancelled my application when I reported my severance, like the guy told me to do on the phone. I did exactly what he said. I'm lucky my husband works because that would have been devastating, if I didn't have another source of income.”
- “On the phone you get the run around — call back tomorrow, this person is away from their desk — who do we go to? You want someone you can see and talk to and write to. A phone is not the answer.”

APPENDIX C.
Results of Rapid Response Partners Focus Groups

Through focus groups with potential Rapid Response partners, BBC explored the following:

- How can work2future and NOVA increase overall awareness of services for business and dislocated workers?
- What types of public and private sector partnerships can work2future and NOVA develop to improve access to businesses?
- How can partnerships increase Rapid Response's ability to work with businesses to avert layoffs?
- How can partnerships increase Rapid Response's ability to reach out to businesses during layoffs, whether or not a WARN notice is involved?
- What perceived or real barriers exist that may hinder Rapid Response's ability to work with businesses in crisis?

Participants also discussed the current business climate, Silicon Valley's dynamic business culture, impacts of layoffs on an aging workforce, work2future and NOVA's Rapid Response materials and challenges associated with EDD.

Key Findings

1. When it comes to work2future and NOVA's services, Human Resources professionals are the gatekeepers that need to be reached.
2. Directly introduce each organization through one-to-many outreach activities, such as presentations, seminars or webinars. Provide participants with a clear, concise leave-behind describing all services offered to the business community, from placement to Rapid Response.
3. Indirectly "meet" HR professionals through partner introductions. Have partner organizations, such as outplacement firms, employment attorneys or employee benefit consultants, introduce work2future and NOVA services as an additional added value that the private firm brings to their client.
4. The Rapid Response service is one aspect of the services work2future and NOVA offer to the business community. As such, the content of presentations should be tailored to the audience.
5. Layoff aversion will always be a challenging task for many reasons. Even with a good relationship with a business, it is unlikely that work2future or NOVA would be welcome to discuss aversion strategies.
6. Use the outplacement model. Increase flexibility to be able to conduct WARN business entries at times that best suit the business, including Saturdays and after normal business hours.

Participant Profile

BBC moderated two focus groups with potential Rapid Response partners. Participants in the Rapid Response partner focus groups included:

- Current and potential Rapid Response partners and providers; and
- Organizations providing outsourcing, employment law, economic development, small business workshops and Rapid Response services.

How can work2future and NOVA increase overall awareness of services for business and dislocated workers?

Through strategic outreach and partnerships, work2future and NOVA can build relationships with the Silicon Valley business community that will pay dividends over time. In addition to raising awareness of each organization, these efforts will expose the community to all of the types of services offered — not just the Rapid Response program.

Strategic outreach. Human Resources (HR) professionals are the gatekeepers that work2future and NOVA need to reach. Focus group participants identified several channels through which work2future and NOVA can formally reach this audience.

HR professional associations. Building relationships with HR professional organizations and engaging with their membership at events is an efficient way to reach out to HR professionals. In Silicon

Valley, the Northern California Human Resources Association (NCHRA) and Silicon Valley Women in Human Resources are two prominent HR professional organizations mentioned by participants. Professional associations are always looking to provide their members with information and resources. By reaching out to these organizations, work2future and NOVA may develop opportunities to reach their members through presentations at events or through webinars or other association to member communications vehicles. Any of these activities will build awareness of work2future and NOVA among Silicon Valley HR professionals.

- “If a key question is how does NOVA become better known, I think a key target audience for them is the HR community. It’s also a key target audience for me [outplacement firm]. So, my career is kind of built on being really well connected with them. It seems to me they should be in touch with NCHRA.”
- “What about showing up at the NCHRA events? What about showing up at the SHRM events? Even if it’s handing out information, just to get that public awareness.”
- “All the HR people talk to each other. They try to attend these types of functions, if possible. They’re looking for the free functions and the ones that I was attending were free, because the budget is tighter for everyone for training and anything like that. They’ll need some help, and who can we go to? NOVA has done a pretty good job of getting out there.”

Conferences, seminars, webinars targeting the HR community.

Participants described a variety of conferences and seminars that they or their peers develop for the Silicon Valley HR community.

Depending on the topic, a presentation by work2future or NOVA would add value and serve to introduce each organization's services directly to the HR community.

- “The other day we did a webinar that NCHRA put on. We had something like 80 people on it. It was on more wage and hour issues, but they could do one on outplacement assistance for free or whatever. There you connect with 80 people like that. They can do a canned presentation. They can do a live seminar.”
- “A lot of HR professionals are just not that familiar with everything that's available and what outplacement can do and what NOVA can do and what services like [private outplacement firms] can do and how they're different, and that's something that I think many HR professionals can use. They go to these educational courses, seminars, to learn legal requirements and some HR best practices and I think [work2future/NOVA would be a natural fit in those types of presentations to present on what services you can offer. I see that as a natural collaboration.”
- “Being a presenter or a speaker at one of those sessions, I think would be a great benefit to [the attendees].”

Strategic partnerships. Developing strategic partnerships with a selected set of public, non-profit and for-profit organizations presents an efficient and cost-effective method for work2future and NOVA to expand their reach in the Silicon Valley business community.

Economic development organizations. Area economic development associations are tasked with bringing business to Silicon Valley. These organizations are often among the first to know when a business is relocating or starting. This presents an opportunity for work2future and NOVA to build relationships with these businesses by providing placement services, for example.

- “Provide the resources. Be there from the beginning. Maintaining the relationship with economic development from the beginning.”
- “Getting the relationship with the HR people, getting the relationship with economic development people or the redevelopment agency people, because a lot of times we're the first contact for new businesses and good or bad, we're already hearing it. That way we can bring NOVA [and work2future] in at the appropriate time.”

Business assistance organizations. Strengthening partnerships with area organizations such as SCORE, the Women's Initiative, the Silicon Valley Small Business Assistance Center or the Northern California Minority Business Center, would allow work2future and NOVA to build relationships with businesses that are growing, and perhaps in need of employees, as well as with businesses in crisis.

Like-minded private firms. HR consulting firms, outplacement services, law firms specializing in advising businesses about employment law and employee benefits consultants are natural partners for work2future and NOVA.

What types of public and private sector partnerships can work2future and NOVA create to gain entry to businesses?

As discussed above, strategic partnerships present an opportunity for work2future and NOVA to effectively engage with the business community. The degree and timing of work2future or NOVA's introduction to a firm will depend in large part on the nature of the partner organization's relationship to the business.

Public sector and business assistance partners. With respect to partners in the public realm, building relationships with area economic development or business assistance organizations is a natural fit. Both serve the business community in both good times and bad. Economic development partners are poised to introduce work2future and NOVA at the time when new or relocating businesses are likely in need of placement services, which work2future and NOVA are well-positioned to provide.

“We do some roundtables and forums with the different industries. So NOVA has been a part of those — we did a bio roundtable, we did a hotel roundtable. So we bring in all the GMs or managers or whoever, facilities managers, in to meet with us and to talk with the City. So, we do a lot of outreach on our own because of our business license. We pull our information, contact the businesses, get them here, have NOVA there.”

With respect to organizations providing business assistance, work2future and NOVA can help them staff for growth, or help to intervene when businesses come into crisis. If work2future and NOVA obtain the trust of business assistance organizations, there may be opportunities for the organizations to connect their clients to work2future and NOVA when the businesses are in the early stages of crisis.

Private sector partners. work2future and NOVA's services represent additional added value “offered” by partners to their clients. Private sector partners could include HR consulting firms, outplacement firms, law firms, Employment Assistance Program (EAP) providers or attorneys who specialize in providing firms with employment law advisory services and employee benefits consultants.

HR consulting firms. HR consulting firms are a natural partner for work2future and NOVA. Whether the firm functions as a business's HR department or simply provides advisory services, it is likely that building relationships with these firms will benefit work2future and NOVA.

“I see a lot of companies now, who are trying to cut down on costs who are going to HR consultants or HR consulting companies, and those are good places to target, because they will serve as a referral source for various things, for employee benefits, for what to do in case of a layoff, for outplacement, for all of those.”

Outplacement firms. In the case of outplacement firms, work2future and NOVA could be designated to serve a particular segment of workers or job classifications as part of the initial sale of outplacement services. Alternatively, the outplacement firm could bring work2future and NOVA in to make presentations to employees as part of the outplacement firm's services.

- “We’re one of the global big three outsourcing companies. That’s a nice way of saying that we help companies lay off people in more humane ways. Once they’ve been laid off, we work with them to get their next job. And we obviously work closely with the public sector.”
- “The opportunity to collaborate with the private outplacement companies has been working great.”
- “If you’re unable to build a relationship with the company to begin with, many times they learn about us from another referral. With the service they bought from [private outplacement firm], it can be just a four month or six month service, and after that it’s exhausted — where are these people going to go? And then [the private outplacement firm] can say there is another service that is unlimited to the displaced worker. Then, they can contact NOVA or work2future and they put in the connection with HR or the company.”

Employment lawyers. Firms or attorneys specializing in advising businesses about employment law could see partnerships with work2future and NOVA being very beneficial. When businesses are growing, these attorneys could refer their clients to work2future and NOVA for placement assistance. Similarly, when firms are in crisis, their legal advisors could inform them about Rapid Response. Some firms market their services by putting on free seminars for HR professionals and the business community. These types of seminars are an opportunity for work2future and NOVA to make presentations about their services.

- “We do a lot of seminars. We’re constantly putting on seminars, including on layoffs. We have a layoff seminar where we give all the attendees our layoff kits. We do a seminar if it’s about hiring, same thing. Wage and hour rules, whatever. So, a lot of times, someone will hire us out of a seminar. Or, the HR people are out going to these events. Let’s say they anticipate that they may have to do a layoff. Well, they’ll go to a seminar on layoffs.”

Employee benefits consultants. These consultants sell a variety of services to firms, and they often work closely with HR professionals. Offering work2future and NOVA's placement services as well as Rapid Response via a partnership adds value to the services the consultant brings to the firm. When selling employee benefit packages, benefits consulting firms may find value in being able to discuss with their clients the programs and services offered by work2future and NOVA.

- “Another area of exposure to HR people in the companies is employee benefits consulting firms. Because when you go, as an employer, when you go to get your employee benefits, you go to hook up with a broker firm that also tends to provide you with free HR consulting. It's kind of a perk that they give you. For example, there's been a leading group down in Santa Clara and there's *Liberty Benefits, ProInsurance*; there's a bunch of these. And they also put on seminars for the HR community. Get networked with the employee benefits brokers.”
- “They're looking for partnerships. These employee benefits firms like it. They're bringing more to the table for their clients from working with them. For example, we give some of them a package where if one of their clients retains us, they're basically getting a special rate. Here's another benefit of working with us. To say, we have this working relationship with work2future and NOVA which is where, if you're doing a layoff, we've got this aspect of it covered, we know how to get you outplacement for free.”

How can partnerships increase Rapid Response's ability to work with businesses to avert layoffs?

Feedback from the focus groups suggests that layoff aversion efforts do not represent a good use of resources for work2future or NOVA. Participants emphasized that in most cases, layoffs are the last resort. As discussed below, firms employ a variety of strategies to prevent layoffs, when possible. Awareness of the Work-Share program is low, and the program itself may be appealing only in certain unique situations. When the program was described to focus group participants, they did not think that such a scenario makes sense in Silicon Valley.

- “I certainly hear in advance time, as soon as the company itself knows. But a lot of times they keep it so tightly wrapped up in just Executive Committee and their legal department isn't even consulted until a final decision is really made, that they're going to go forward with a layoff, so I think it becomes a difficult thing. Once they've made up their mind, they're going forward with it. I think that's where the difficulty lies in trying to come in and do the aversion.”
- “Some of these decisions are made behind closed doors, and that information doesn't see out unless someone leaks it out, and therefore even if you had a plan for aversion, it's a done deal. The machine is already working towards that layoff.”

- “The reality of outplacement is we hear about these things, we may know they’re coming down the pike, but as for an actual date, I can be there at 7:00 at night filling out paperwork scheduling people to be onsite at 8:00 the next morning. So, what you’re talking about is trying to get in for layoff aversion, trying to get in ahead of time. In our experience, even though we have those relationships, is that they just don’t want to do that.”

Private sector approaches to layoff aversion. Although constrained in some ways by employment law, Silicon Valley firms take advantage of several layoff aversion tactics. The most commonly employed tactic is mandatory time off. It should be noted that these types of cost-savings methods have to be very carefully constructed to avoid running afoul of employment laws.

- “This has been a huge thing. Pay cuts. Required mandatory time off. Kind of think about what the Governor has done with the State.... Mandatory time off programs, pay cuts, things like that, are very common, but tricky.”
- “I’ve certainly had discussions with clients to say, let’s look at any alternative (to avoid layoffs), can we do alternative scheduling or reduced work schedules, and those are all things that they generally have thought about. I think that in the Valley at least, people have gone through enough layoff cycles to consider the alternatives.”

Mandatory time off. Mandatory time off is a layoff aversion tactic employed by Silicon Valley firms. As described by participants, firms save money by shutting down at selected times of the year. For example, closing from Christmas through the New Year, a time when many employees would likely have requested time off.

“I think the mandatory time off is a very popular one. Companies are motivated; they are taking these steps to avoid layoffs. This is the last thing that they want to do are these layoffs. So they are doing these things. I think that the mandatory time off makes a lot of sense. Such as, we’re basically, shutting down the last week of the year, and we’re shutting down, let’s say, Labor Day Weekend. It’s more efficient as well, if several people are out anyway. I think that one really makes a lot of sense, and then do some targeted layoffs where we can see some inefficiency here and there, go ahead and take care of that, and it may save us from having to do the really huge layoff later.”

Pay cuts. Asking employees to accept reduced pay for the same work is another method of cost-savings that is often employed.

How can partnerships increase Rapid Response’s ability to gain entry to businesses during layoffs, whether or not a WARN notice is involved?

Partnerships leverage firms’ trust in their partners and open firms to work2future and NOVA’s services. In essence, partners are vouching for Rapid Response and are explicitly endorsing the Rapid Response service. Partners both raise awareness of Rapid Response and help to bridge the trust gap between the private sector and previously unfamiliar organizations.

By building relationships with firms and HR professionals before the business is in crisis, work2future and NOVA are more likely to be seen as a supportive partner, and the likelihood of either organization being asked to provide assistance increases.

- “I would guess, and to be honest, I didn’t know anything about NOVA until this. I would guess a) it’s a very sensitive time, and b) this is an unknown entity here. We’re already jarred enough with what’s happening to our company. Why would we let in someone that we don’t know anything about? It’s just already uncomfortable enough. And like what’s the answer to that or the remedy to that? I think it’s becoming more well-known. Once they’re really engaged with the HR community, then I think that they’re going to get into more companies.”

What perceived or real barriers exist that may hinder Rapid Response’s ability to work with businesses in crisis?

Participants described several perceived or real barriers that may preclude Rapid Response from working with businesses in crisis.

Distrust of government agencies. Some businesses may not want to invite government agencies into their organizations because they do not want to call attention to their employment or other business practices in the midst of a layoff.

- “It’s ‘the government.’ Are they going to be looking over our backs? Are we going to get in trouble?”

- “Many times companies don’t want to work with us. They say, ‘you’re the government.’ It’s an issue, because maybe there’s a legal issue and they don’t want you to know a certain thing.”
- “I have to tell you, I was a business liaison for NOVA, and I represent private outplacement services in the private companies now. So, I’ve seen it from both sides. I’ll be real straight forward. There is a fear when you walk in the door for Rapid Response, that if they’ve missed their WARN or if anything about that paperwork isn’t right, that you’re going to spot it and then they’re going to have EDD, or god-forbid, worse coming down on them. So I think that’s a perceptual problem.”

Real or perceived challenges associated with government employee’s labor union rules. Some participants related experiences where members of a Rapid Response team were unwilling or unable to participate in Rapid Response activities because the meetings were scheduled in the evening or on weekends.

- “Many times when you have a certain presentation benefit talk, after five, some EDD staffer will say, ‘I’m not working after five.’ Because of labor rules, they have to ask for approval. I mean some of them are very flexible and are willing to go out, but not all. You have to break out of all the so-called regulations and the rules that you have in order to work with the private sector.”
- “It’s a challenge. We just did something recently with a company who actually closed. It was a retailer. They were going to do their layoff presentation to their employees, letting them know that afternoon, a Saturday. So, [the Rapid Response coordinator] had to see who could work on Saturday because that’s what the employer was requesting. They couldn’t do it during the week, and so, it took some time for the folks to adjust their calendar to be there that afternoon. The folks from the Employment Services Unit are not allowed to go on a Saturday to do a presentation.”

Reliance on the private sector. Some firms will prefer to retain outplacement firms to aid their displaced staff. In these cases, partnerships with outplacement firms will enable work2future and NOVA to reach these workers via the outplacement firm.

- “But, I think there’s another perceptual problem and that is that you are government. You can’t move fast enough, you’re too bureaucratic, there’s going to be too much paperwork – I guess that’s tied into bureaucracy – that their people aren’t going to get as good of a service, and I’m not saying that any of that is legitimate, but I’m saying I’ve had to represent it, and there’s just that immediate assumption.”
- “I bet there is a perception out there that, say [private outplacement firm], a brand name, you get what you pay for. I don’t have any way to comment, I haven’t looked at NOVA’s work, but I think there could be some element of that. But the greater awareness could help to mitigate that.”

Other Discussion Topics

Participants discussed several topics in addition to how to build work2future and NOVA's reputation in the Silicon Valley business community.

Current business climate in Silicon Valley. Participants discussed the current Silicon Valley business climate. Some compared the current situation to when the internet bubble burst in the late 90s.

- “Last year was the busiest year that outplacement has had ever. It was all we could do to keep up. Since about November of last year, we saw a decrease. For us, we're pretty much back on an even keel again. Silicon Valley is always busy. It's the second busiest office in the chain because Silicon Valley manages by layoffs, so there's this constant churn.”
- “Well, starting at the end of 2008, the layoffs started going through the roof. Of course, yes, that was very different than before the economic crisis. That obviously made a huge difference. So, it was somewhat similar to what we say when the internet bubble burst. When you had lots of [downsizing], in both periods, there were huge amounts of layoffs around here. I think when the internet bubble burst, I would compare it with that period. I would say it seems to me that when the Internet bubble burst, more businesses were failing quickly, whereas this time, since we had been through that, I think companies were

probably more equipped to be efficient and maybe they were less lavish to begin with.”

- “I think a lot of the layoffs now, with larger businesses, they're really cutting back and they're not creating the positions again. So, if they laid off three years ago, and now they've got a major project to finish, they're going to go out and hire contract people instead of staff – temporary people.”

Silicon Valley's dynamic business culture. Throughout the discussion, participants characterized Silicon Valley's entrepreneurial business culture, aided by prohibitions of non-compete agreements.

- “We're very dynamic. We have VC [Venture Capital] money here big time. We have brilliant people here, we also have a law against non-compete agreements, which is a huge thing that people don't realize the impact that that has.”
- “That's why we had a Fairchild semi-conductor, that's why we had an Intel. That's why we have all these companies. If we had non-competes, keeping people from starting competitive companies we would just be any old town. We would not be Silicon Valley.”

Impact of layoffs on aging workforce. In both sessions, participants discussed the challenges older dislocated workers encounter in gaining new positions.

- “You’re looking at a workforce that is aging, and so therefore that’s an even greater impact, where the employer who might be looking to hire let’s say three months later, they’re not looking to hire folks who might have worked for them in the past for 15 or 20 years. They’re looking for a younger workforce. That’s really the reality of this whole workforce change.”
- “Most of our clients that come in are — even though I know HR runs the statistics to make sure that they’re laying off in their bell curve and everything — a disproportionate number of our clients are 40 or older.”

Materials for dislocated workers. Participants briefly reviewed the materials that NOVA and work2future distribute to dislocated workers after Rapid Response presentations. Overall, participants made few specific comments about the materials. In general, they thought that the materials were sufficient and suggested that the information be available online.

- “In that meeting, you’re so dazed, you’re probably not going to remember anything that anyone said. So, I think having more in writing is good.”

- “My first thought is it would be nice if this [packet] were electronically available. You’d have to spend a lot of time looking through this.”
- “I think I’d want something substantial to look at. So, I see that there’s a CD here, so that’s good.”

Challenges associated with EDD. Some of the participants had regular interactions with dislocated workers trying to obtain or maintain unemployment insurance. Participants discussed that, in their experience, EDD staff can be difficult to reach, and often dislocated workers receive inconsistent answers to unemployment insurance questions.

- “The EDD’s system has about four or five different call centers throughout the state. So, when an employee calls one and speaks to somebody, it could be in Santa Rosa, or in Southern California, and — I can’t speak to EDD standards and processes — but it gets really frustrating for the employee trying to get that information.”
- “Many times, EDD staff will tell them this and this, but another person will say, ‘I’m not going to get involved in that, I’m just going to tell you to call that number.’ So the inconsistency — a lot of people get confused about EDD and whether or not they’re going to get an answer.”

APPENDIX D.
Review of Early Warning Systems

This appendix reviews mass layoff early warning systems and best practices for their implementation. It also describes a BBC model to explore the utility of using Dun & Bradstreet (D&B) Financial Stress Scores (FSS) as part of an early warning system.

The objective of an early warning system is to identify businesses at risk of failure or entering a period of hardship in order to prevent mass layoffs or plants closures, or at least ensure that Rapid Response assistance is provided in a timely manner. In this appendix we explore a range of qualitative and quantitative approaches that may form part of an early warning system.

Modeling approaches to early warning systems use various sources of business data in order to quantify a company's financial situation and, by extension, risk of layoffs or plant closures. Relationship-based approaches rely most heavily on information gathered from local companies and community members. The most effective approaches likely combine these two aspects.

Review of Literature

In this section, we review literature relating to early warning systems. We begin with a summary of the warning signs for mass layoffs according to a publication by the Steel Valley Authority (SVA) in Pennsylvania. We then review current research on predicting mass layoffs.

SVA Layoff Aversion Guide. From the 2006 SVA Layoff Aversion Guide, the list shown provides a checklist of causation factors and warning signs for mass layoffs.

- Facility
 - Obsolete physical plant
 - Outmoded operating procedure
 - Lack of spare parts
 - Machinery old and outdated
 - Speed-ups lead to older worker layoffs
 - Repairs are not made
 - Inefficient production process
 - Equipment not up to quality standards
 - Environmental problems
 - Facility is in a metropolitan or suburban area that is gentrifying
- Community
 - Lack of access to raw materials, energy, products and services
 - Lack of skill in local work force
 - Lack of quality or availability of land or infrastructure
 - Local/state tax or regulatory policies
 - Lacking transportation
 - Proximity to market changes transportation costs

- High insurance rates
- Poor access to trucking/rail/water/air
- Utility rates high, or lack of energy availability
- Market
 - Demand or sales declines
 - Products, processes of services become obsolete due to technological innovation
 - Increased domestic or foreign competition
 - Changes in state/national taxation, regulation, monetary policies
 - Change in international relations (re: markets or supplier/customers)
 - Inventory stagnant
 - Loss of market share
 - Industry sector declines
- Organization
 - Managers, skilled workers or machinery moved to new plant
 - New plant is opened in low-cost location
 - Research and development are cut back
 - Fewer product lines produced
- Parent corporation has major problems
- Corporate merger acquisition creates excess capacity
- Change in profit, market targets or distribution systems
- Local subsidiary is milked for other investment
- Hours and overtime eliminated
- Managers replaced frequently
- Weak management practices
- Irregular work or production schedules
- Lack of workforce training, upgrading or training cutbacks
- Sales staff/marketing cut
- Aging owners
- Shifts reduced
- Increase in subcontractors, temporary workers
- Lack of management and engineering talent

By investigating these factors and warning signs, early warning systems may be able to avert layoffs or facility closures and will be better prepared if mass layoffs do occur.

Academic research. A number of academic studies have sought to identify predictors of mass layoff events or plant closures. Several studies find that plant size is a significant determinant of a plant failure event, but the direction is ambiguous. Some find that larger plants are less likely to close — McGuckin and Nguyen (2001)¹, Bernard and Jensen (2002)², Dunne, Klimek and Roberts (2003)³, and Bernard, Jensen and Schott (2006)⁴ — while other papers find just the opposite (Nguyen and Ollinger 2007)⁵. Also, Bernard and Jensen (2002) find that plants that are part of larger firms and are simply the manufacturing branch are more likely to shut down.

Plants with high labor productivity and total factor productivity are less likely to close (Dunne et al. 2003; McGuckin and Nguyen 2001; Bernard and Jensen 2002; Bernard et al. 2006). Also, Abowd, McKinney and Vilhuber (2007)⁶ found that firms employing more

workers in the lowest quartile of human capital distribution are more likely to experience a mass layoff or firm closure.

Finally, Abowd et al. (2007) find that firms that experience a single mass layoff event are subsequently at higher risk for a subsequent mass layoff or plant closure. Also, younger plants and ones owned by multi-establishment firms are more likely to close (McGuckin and Nguyen 2001; Bernard and Jensen 2002; Dunne et al. 2003; Bernard et al. 2006; Nguyen and Ollinger 2007).

Existing Early Warning Systems

In this section we review existing early warning systems used around the nation.

Strategic Early Warning Network. The Strategic Early Warning Network (SEWN) created by the Steel Valley Authority (SVA), works with manufacturers and organized labor in southern Pennsylvania. The SVA's experience is that to save a local business is "easier and less costly ... than to create a new business or attract one from outside."⁷

¹ McGuckin, Robert H., and Sang V. Nguyen. 2001. "The impact of ownership changes: a view from labor markets." *International Journal of Industrial Organization* 19: 739-762.

² Bernard, Andrew B., and J. Bradford Jensen. 2002. "The Deaths of Manufacturing Plants." Working Paper 9026, National Bureau of Economic Research.

³ Dunne, Timothy, Shawn D. Klimek, and Mary J. Roberts. 2003. "Entrant Experience and Plant Death." Working Paper 10133, National Bureau of Economic Research.

⁴ Bernard, Andrew B., J. Bradford Jensen, and Peter K. Schott. 2006. "Survival of the best fit: Exposure to low-wage countries and the (uneven) growth of U.S. manufacturing plants." *Journal of International Economics* 68: 219-237.

⁵ Nguyen, Sang V., and Michael Ollinger. 2007. "Mergers and Acquisitions, Employment, Wages and Plant Closures in the U.S. Meat Product Industries: Evidence from Micro Data." Working Papers 07-08, Center for Economic Studies, U.S. Census Bureau.

⁶ Abowd, John M., Kevin L. McKinney, and Lars Vilhuber. 2007. "The link between human capital, mass layoffs, and firm deaths." In T. Dunne, J.B. Jensen and

M.J. Roberts, eds., *Producer Dynamics: New Evidence from Micro Data* (Chicago: University of Chicago Press for the National Bureau of Economic Research, forthcoming).

⁷ Newman, Nathan. "Averting layoffs and revitalizing the manufacturing economy: Lessons from the Great Lakes states." 5 May 2008, retrieved from <http://www.progressivestates.org>.

Their approach hinges on proactively engaging firms that might be at risk for layoffs or failure with layoff aversion programs. The SEWN network includes individuals such as labor union leaders, vendors, company managers, and local officials in order to gain perspective on industries and companies in their region. SEWN also investigates financial information such as loan delinquencies, bankruptcies and Dun & Bradstreet data as well as other indicators such as utility company usage reports. By engaging industry and establishing long-term relationships with multiple stakeholders, this people-centered approach has been very effective at saving jobs and firms since the early 1990s. Key stakeholders identified by SEWN include:

- State workforce and development agencies;
- Management and industry groups;
- Labor and community groups; and
- Federal and local agencies.

SEWN utilizes work-sharing and incumbent worker training programs to avert layoffs while assisting employers to meet company objectives.

Texas early warning system. Texas uses an integrated approach where the state Department of Labor and Health and Human Services funds 28 local workforce development boards. Layoff aversion is the ultimate goal of the Texas early warning system, and the staff that stay constant contact with the businesses are the most valuable aspect of the system.

Some key indicators that Texas uses to identify at-risk businesses:

- When a business goes from three to two shifts;
- When utilities have gone down markedly;
- When a company drops its insurance; and
- When a company has issues repaying loans.

While good data on the above indicators is important, local intelligence and strong relationships are keys to the success of the system. By making it clear that the community and industry each want the best outcomes, representatives can build trust with businesses over time.

Iowa early warning system. The Iowa early warning system was a demonstration project funded by the Department of Labor. It began in July 2008, and is a three-year project. In addition to an early warning system, a basic goal of the project is to develop a layoff aversion program.

In order to predict mass layoffs quantitatively, Iowa relies on the Altman Z-score, which uses the assets and liabilities of a company to predict whether or not it will fail in the next year. Similar to the Financial Stress Score from D&B, it relies on good company data to calculate. Although anyone can calculate a Z-score, gaining access to good company financial data can be challenging.

Iowa's Rapid Response team has sought to incorporate economic development data into its early warning system, such as unemployment data and workers compensation data. Importantly, it has cultivated a number of partnerships with economic development organizations in the state, in order to collaborate on a number of projects where there is shared interest.

Two best practices that Iowa invests in include a voluntary shared work program and incumbent worker training. Voluntary shared work allows employers to cut hours, wages, or a combination, to avoid layoffs. States often make up part of the lost wages out of state unemployment funds. By keeping workers in the company, businesses experience less training costs and can quickly fill staffing needs from current employees. Incumbent worker training allows companies to train their workers for shifting roles within the company when the firm knows that it is going to cut workers back eventually. For example, if the company is discontinuing a certain product or process requiring specialized training, it would train its current employees to shift to another product or process instead of laying them off.

An example of a statistical model. BBC obtained an example of a recent effort to develop a more sophisticated prediction system based on statistical modeling. The agency responsible for the model provided BBC with its analysis on the condition that it is not identified in this report, as the research and model development have not concluded. Any findings presented here are provisional.

This model first identifies at-risk industries. The model then attempts to identify at-risk businesses within those at-risk industries. An early warning system based on this model would track variables with statistical significance to the model.

The industry-level model uses firm-level data from the Quarterly Census of Employment and Wages (QCEW). Additionally, the model utilizes Bureau of Labor Statistics (BLS), the Federal Reserve Board's Principal Economic Indicators, and state-level labor market data.

- In order to identify at-risk industries, the model indicates labor market conditions through changes in number and sizes of establishments as well as changes in wages and salaries. It also indicates industry competitiveness through trends in total industry productivity, labor hour growth, output growth, changes in unit labor costs and changes in labor productivity.
- To indicate the life cycle stage of an industry, the model uses changes in the size of establishments, change in number of establishments, and a declining trend in job reallocation, whereby displaced workers find employment in the same industry.
- By looking at gross output and aggregated industry GDP, the model indicates demand and output conditions.
- Finally, a labor market conditions index and an industry conditions index are generated to score the industries. Depending on the index values, industries at highest risk for mass layoffs are evaluated at the firm level.

The firm-level model is an econometric model which uses firm-level data such as a firm age, number of competitors in the industry, number of firms in the sector, and industry and sector wage ratios in order to quantify how firm wage levels compare to other firms.

The combined model described above adequately predicts mass layoffs in a sample with a relatively short time frame. When expanding to a longer time series, however, the predictive value of the model is more limited. Although research into the model's effectiveness is not complete, at this stage it appears that large-scale quantitative models of this kind may not provide enough predictive power to justify the investment needed in creating and maintaining them. However, more basic models (for example, predicting the likely overall level of layoff activity in a region) may be useful.

Other statistical models. Several workforce investment agencies in the United States have used commercially available indicators, such as the D&B Financial Stress Score. Data collection is essentially outsourced to experts and limited to fewer variables, potentially making the data easier to collect on an ongoing basis. The New York Department of Labor uses D&B data, unemployment insurance claims, and shared-work requests as part of its early warning system. The Santa Ana Workforce Investment Board (WIB) identifies potentially at-risk businesses with a model using D&B financial stress data. The Santa Ana WIB follows up with a three-question survey of business expectations and key challenges to screen companies and then offers a brief summary of services if the WIB deems a company at-risk.

Options for work2future and NOVA

BBC explored a number of options that could form part of an early warning system for work2future and NOVA.

BBC researched four commercially available indicators:

1. **Dun & Bradstreet Financial Stress Score.** D&B's Financial Stress Score (FSS) predicts the likelihood that over the next 12 months a company will take one of the following actions:
 - Seek relief from creditors;
 - Cease business operations without paying creditors;
 - Voluntarily withdraw from business operations;
 - Go into receivership or reorganization; or
 - Make an arrangement for the benefit of creditors over the next 12 months.

The current version of the FSS (Version 7.1) is categorized in three ways: FSS, FSS Percentile and FSS Risk Class (Figure E-1). Much like a personal credit score, a higher FSS represents a healthier financial condition of the company and therefore a lower risk of failure. Companies are grouped into FSS Percentile categories based on how their FSS compares to other companies. The FSS Risk Class assigns open, non-bankrupt companies a number of 1 to 5, with companies at lowest risk of failure in Class 1 and companies at highest risk of failure in Class 5.

- Class 1: Assigned to the top 5 percent, representing the lowest risk companies;
- Class 2: Assigned to the next 25 percent of companies and is riskier than Class 1;
- Class 3: Assigned to the next 34 percent of companies and is riskier than Class 1 and 2;
- Class 4: Assigned to the next 32 percent of companies and is riskier than Class 1, 2 and 3;
- Class 5: Assigned to the riskiest 1 percent of companies.

Additionally, a Risk Class of 0 is assigned to open but bankrupt or closed businesses. Figure D-1 summarizes the probability of firm failure for different FSS Risk Classes.

An advantage of using the FSS is that it provides an overall assessment of a company’s financial stability without the need for further modeling and analysis on the part of work2future and NOVA. A disadvantage of this score is that it relies on companies to update their own financial information.

Figure D-1.
D&B Financial Stress Score

Financial Stress Score	Financial Stress Score Percentile	Financial Stress Risk Class	Probability of failure
1570 – 1875	95 – 100	1	0.03%
1510 – 1569	69 – 94	2	0.09%
1450 – 1509	34 – 68	3	0.24%
1340 – 1449	2 – 33	4	0.84%
1001 – 1339	1	5	4.70%

Source: “A Guide to D&B’s U.S. Ratings and Scores,” Dun & Bradstreet, 2010.

2. **Dun & Bradstreet Commercial Credit Score.** D&B’s Commercial Credit Score predicts the likelihood that over the next 12 months a company will:

- Pay financial obligations at least 90 days overdue;
- Obtain legal relief from creditors; or
- Cease operations without paying creditors.

These data are also readily available and relies on credit reports. Similar to a personal credit score, it is in a company’s best interest to avoid delinquencies in order to most advantageously access capital.

3. **DNBi service.** Another approach based on D&B data is to subscribe to the DNBi alert service. This service is possibly the most comprehensive, but also the most expensive approach. DNBi provides daily updates on the financial condition of businesses. It is possibly the best product on the market to assess risk of companies defaulting, but is not likely to be consistent with the needs of work2future and NOVA. The cost of monitoring the financial condition of all employers with 50 or more employees in the San José MSA is likely to be between \$15,000 and \$25,000 annually.
4. **Altman Z-score.** The Z-score is a formula for predicting firm bankruptcy. First developed by Edward Altman in 1968 and since updated, the score is a weighted average of five common business ratios based on metrics such as sales, assets and liabilities. Research has demonstrated that this score is an effective predictor of business failure; however, it requires gathering the necessary company financial information. At least one Rapid Response program (Iowa) uses it to predict mass layoffs. It is similar to the Financial Stress Score from D&B, although without good data on every company it is hard to calculate.

Having reviewed a number of options, BBC explored further the utility of the D&B Financial Stress Score (FSS) because of its relatively low cost and level of work required to estimate a company's financial health. By matching a sample of historical D&B data to historical data on WARN notices received by work2future and NOVA, BBC modeled the viability of the FSS as an early warning system indicator.

Using D&B Financial Stress Score to Predict WARN Notices

In order to assess the value of the FSS to work2future and NOVA, BBC supplied D&B Government Services a sample of 430 establishments located in the local workforce investment areas of San Jose/Silicon Valley and North Santa Clara Valley in 2007. Each of these companies employed at least 75 people, and 34 of them issued WARN notices in 2007. D&B supplied BBC with the FSS associated with each establishment for three points in time – January 2007, June 2007 and December 2007.

As can be seen in Figure D-2, of the 427 establishments with FSS scores in each of the three reporting periods, nearly 70 percent received a Financial Stress Risk Class 3 or 4 rating. Consistent with the design of the FSS Risk Class, nearly 30 percent of businesses fall into the lowest risk categories, Class 1 or Class 2. Most relevant to this analysis, almost 90 percent of companies that issued WARN notices in 2007 received a Class 3 or 4 rating in 2007. Additionally, the highest proportions of companies that issued WARN notices fell into the most risky classes. Class 0, representing open but bankrupt or closed businesses, had the highest proportion of WARN notices by class, with Class 3 holding the second-highest proportion.

Figure D-2.
Frequency of FSS Risk Class ratings and 2007 WARN notices

Risk level	FSS Risk Class	Risk Class frequency	WARN notice frequency	Rate of WARN notices by Risk Class
Lowest	1	7 %	2 %	3 %
	2	20	5	3
	3	41	59	17
	4	28	30	12
Highest	5	2	2	11
Bankrupt	0	<u>1</u>	<u>2</u>	18
		100 %	100 %	

Note: Percentages shown may not add to 100% due to rounding.

Source: BBC Research & Consulting from 2007 D&B Financial Stress Score data, September 2010.

BBC developed statistical models to investigate if there is a statistically significant relationship between a company’s FSS Risk Class at different points in the year and whether or not a company issued a WARN notice in 2007.

BBC developed four probit regression models to control for interactions between FSS Classes, establishment size, firm size and firm age. BBC also included an indicator for a worsening FSS Class from January to June 2007 when investigating associations with WARN notices in July to December 2007.

Model variables. The dependent variable for each model was the issuance of a WARN notice during a specific time period. The three time periods used were all of 2007, from January to June 2007, and from July to December 2007.

Because the FSS Risk Class 1 and 2 ratings are assigned to companies with FSS scores in the top 25 percent of businesses with the lowest risk of failure, BBC created an indicator variable for Class 3, 4 or 5 companies in the sample. In this way, the probit models compare Class 3, 4 and 5 ratings against Class 1 and 2 ratings for each of the distinct time periods.

The variable for worsening FSS Class in June indicates that a company’s risk of failure increased (from Class 2 to Class 3, for example) from January to June. The probit model for WARN issuance from July to December 2007 compares companies with worsening Risk Class ratings against companies with unchanged or improved FSS Risk Class ratings.

Establishment employment, firm employment, and firm age were each sourced from the 2008 National Establishment Time Series (NETS) database and were included as continuous variables.

Findings. The probit models found that several factors are significant indicators of the likelihood that a firm will issue a WARN notice.

FSS Risk Class. The FSS Risk Class is a significant predictor of the issuance of a WARN notice. Holding other factors constant:

- Companies in FSS Risk Class 3, 4 or 5 in January 2007 were significantly more likely than other companies to issue WARN notices in 2007.
- An even stronger statistically significant relationship was found between the January FSS Class 3, 4 or 5 ratings and WARN notices issued between January and June 2007.
- Between July and December 2007, companies with Risk Classes of 3, 4 or 5 in June 2007 were significantly more likely to issue WARN notices than other companies. January 2007 Risk Class ratings, however, were not significantly associated with WARN notices in the second half of the year.

In sum, there is a statistically significant relationship between a firm's FSS Risk Class and the likelihood of it issuing a WARN notice in the following six to twelve months.

These findings are somewhat intuitive: a financially stressed company in January may be more likely to lay off workers in the coming months. Likewise, WARN notices issued at the end of the year may be more likely for a company financially stressed in June. Note that a worsening FSS Risk Class rating was not significantly associated with WARN notice issuance from July to December.

Figure D-3 presents the output from BBC's models.

APPENDIX D. Review of Early Warning Systems

Figure D-3.
WARN Notices and the D&B Financial Stress Score: Annual and semi-annual models for 2007

Independent variable	All 2007 WARN notices coefficient (Standard error)	January-June 2007 WARN notices coefficient (Standard error)	July-December 2007 WARN notices coefficient (Standard error)	July-December 2007 WARN notices coefficient (Standard error)
January 2007 FSS Class 3, 4 or 5	0.58003 ** (0.23359)	0.71103 ** (0.31096)	0.36094 (0.26076)	—
June 2007 FSS Class 3, 4 or 5	—	—	—	0.64758 ** (0.3017)
FSS Class worsened from January to June 2007	—	—	—	-0.06378 (0.29571)
Establishment employment 2007	0.00065 *** (0.0001)	0.00024 ** (0.0001)	0.00073 *** (0.0001)	0.00078 *** (0.0001)
Firm employment 2007	0.00002 ** (0.00001)	0.00002 ** (0.00001)	0.00001 (0.00001)	0.00001 (0.00001)
Firm age 2007	0.03526 * (0.0211)	0.01346 (0.0224)	0.07795 ** (0.0327)	0.08371 ** (0.0338)
Constant	-2.5518 *** (0.41109)	-2.50137 *** (0.46368)	-3.37868 *** (0.60991)	-3.71610 *** (0.66731)

Notes: The dependent variable is the issuance of a WARN notice in a given time period.

The coefficients represent the change in the cumulative normal probability distribution of issuing a WARN notice given a one-unit change in the independent variable.

*** Statistically significant at a 99%, 95% and 90% confidence level, respectively.

Source: BBC Research & Consulting from Dun & Bradstreet 2007 Financial Stress Score data, September 2010.

Size and age. Establishment size in 2007 was consistently significantly related to the issuance of WARN notices – the larger the establishment, the more likely it was to issue a WARN notice. Both older firms and larger firms influenced the likelihood of issuance of WARN notices, but these two factors were not statistically significant in every probit model and were not as strongly indicative of WARN notices as FSS Risk Class ratings.

Bankrupt businesses. An FSS Risk Class rating of 0 indicates a closed or open but bankrupt business, and several of these businesses issued WARN notices in 2007. In order to assess whether including bankrupt businesses altered the findings of the analysis, BBC appended companies with a zero rating to the existing Class 3, 4 or 5 variable. In every model, the magnitude, direction, and statistical significance of the coefficients were consistent with the analysis

presented above. This indicates that open, bankrupt businesses are also more likely to issue a WARN notice than companies in the lowest Risk Classes of 1 or 2.

Predictive power of FSS. An analysis of marginal effects can estimate the influence of the different independent variables on WARN notice issuance. This allows an estimation of how powerful FSS may be in predicting WARN notices. The factors in the probit regression models were not substantial predictors of a WARN notice, with at best an 8 percent increased probability of a WARN notice for the January 2007 FSS Risk Class. As shown in Figure D-4, the FSS Risk Class was by far the strongest predictor in the models, indicating that FSS Risk Class was more important than establishment size, firm size or firm age. Employment and age data were not good predictors of WARN notice issuance in 2007.

Figure D-4.
Marginal Effects of the D&B Financial Stress Score: 2007 annual and semi-annual models

Source: BBC Research & Consulting from Dun & Bradstreet 2007 Financial Stress Score data, September 2010.

Independent variable	All 2007 WARN notices	January-June 2007 WARN notices	July-December 2007 WARN notices	July-December 2007 WARN notices
January 2007 FSS Class 3, 4 or 5	0.082212	0.060419	0.032975	—
June 2007 FSS Class 3, 4 or 5	—	—	—	0.049955
FSS Class worsened from January to June 2007	—	—	—	-0.005888
Establishment employment 2007	0.000107	0.000025	0.000075	0.000075
Firm employment 2007	0.000003	0.000002	0.000001	0.000001
Firm age 2007	0.005819	0.001408	0.007994	0.008029

Summary and Recommendation

In 2007, WARN notices were issued most frequently by companies in the San Jose/Silicon Valley and North Santa Clara Valley workforce investment areas with Financial Stress Risk Classes of 3, 4 or 5. Because FSS Risk Class was the strongest predictor of WARN notices in each of the probit models and because of the significant relationships between FSS Risk Classes and WARN notice issuance, D&B FSS data appears to be a worthwhile indicator of financial stress that would be useful to NOVA and work2future. This analysis, however, does not imply a causal relationship between FSS and WARN issuance.

Outreach and relationships. Outreach and relationships with businesses remain best practices for early warning systems and layoff aversion. A quantitative measure such as the D&B Financial Stress Score can help an agency identify businesses to work with first, but it does not replace the need for personal interaction with business leaders. Successful layoff aversion programs stress the importance of good working relationships between the workforce investment agency and companies.

FSS as a tool. BBC recommends that the FSS be utilized as a tool to identify firms in stress that may be targeted for further investigation. The New York Department of Labor and the Santa Ana Workforce Investment Board use FSS as a screen for companies at risk for mass layoffs. These agencies then approach the companies identified to gauge the business expectations and key challenges in the near-term. Santa Ana WIB uses a three-question survey with follow-up questions as a screening tool.

Recent pricing available from D&B is found in Figure D-5. The DNBi service is a web-based dashboard where one can find the most current D&B data. The DNBi service price is an annual subscription in addition to the FSS data pricing. Because the DNBi service allows for real-time monitoring of businesses, daily, monthly or quarterly updates of the FSS would not be necessary. The overall cost of using FSS as a tool for identification of at-risk businesses is therefore a function of the needs and capacity of NOVA and work2future. Note that these prices are subject to change.

Figure D-5.
Dun & Bradstreet Financial Stress Score annual pricing

Number of businesses	FSS data extract	FSS with quarterly updates	FSS with monthly updates	FSS with daily change notification	DNBi additional service cost
1,200	\$3,638	\$4,231	\$5,122	\$11,030	\$8,400
2,100	\$5,240	\$6,280	\$7,839	\$18,176	\$14,700
2,500	\$5,952	\$7,190	\$9,046	\$21,352	\$17,500

Source: Dun & Bradstreet Government Solutions, September 2010.

Using the early warning system. The simple early warning system envisioned by BBC is primarily a system of communication with local employers. The D&B FSS is a useful tool in the system in order to screen businesses potentially at-risk for WARN notices. work2future and NOVA would first identify firms with FSS Class 3, 4 or 5 ratings. Agency representatives would then contact the companies to ask a few questions about their outlook for the next 6 months (or another number of months).

- **Step 1:** Screen businesses in work2future and NOVA service areas with 75 or more employees using D&B Financial Stress Score.
 - Identify firms with FSS Class Risks 3, 4 or 5.
 - Determine if the FSS Class Risk for each business has changed since the last data extract.
 - If the FSS Class Risk has worsened, prioritize that business for contact.
 - Make a list of top priorities.

This step should be repeated at a regular weekly, biweekly, or monthly interval.

- **Step 2:** Approach businesses on the priority list to gauge their business outlook and to offer services. Questions to ask include:
 - What are your expectations for your business over the next 6 months?

- Growth,
- Remain stable, or
- Downsize?

If “Growth” or “Downsize,” ask how many people they expect to hire or layoff.

- What is your biggest business challenge? What else has been challenging?
- Would you like more information about work2future/NOVA or assistance with your business challenge, hiring or layoffs?

Explain services available to them through state or regional programs and set up an appointment.