

Implementing the US Department of Labor Adjustment Model in Central and Eastern Europe: The Hungary Rapid Response Project, 1994-1999¹

Gary B. Hansen and Maria Heidkamp

Introduction

This paper describes the implementation of the *United States Department of Labor (USDOL) Adjustment Model* to ameliorate the impacts of economic restructuring and privatization on workers, enterprises and communities in Hungary. It was developed to overcome the problems and difficulties experienced by worker adjustment projects carried out by the World Bank in Poland and Hungary in the early 1990s and to build on the adjustment experience gained in the early 1990s by the USDOL's Labor Market Transition Assistance Program in Central and Eastern Europe (CEE) and the ILO/UNDP's pilot CEE Regional Local Economic Development Project.²

When CEE governments began the economic restructuring and privatization of state-owned enterprises (SOEs) after the fall of communism in 1989, the dislocated workers and communities impacted by these changes faced many of the same problems experienced previously by their counterparts in North America and Western Europe. Consequently, international donor agencies began introducing some of the western worker and community adjustment concepts and techniques in CEE countries. While some of these initial efforts were successful, others were not, either because of the methodology and approach used or the government's unwillingness to carry out the necessary reforms.

Hungary was the first CEE country to systematically use the *USDOL Adjustment Model*. The USDOL Hungary Rapid Response Project was operational from 1994 to 1999 and was undertaken jointly by the USDOL and the Hungarian Ministry of Labor with the financial support of the U.S. Agency for International Development.

The *USDOL Adjustment Model* is an integrative approach that has three operational components and a financial resources component:

1. a **rapid response worker adjustment component** to plan, organize and facilitate the transition of dislocated workers to new jobs,
2. a **community economic renewal component** to stimulate local economic

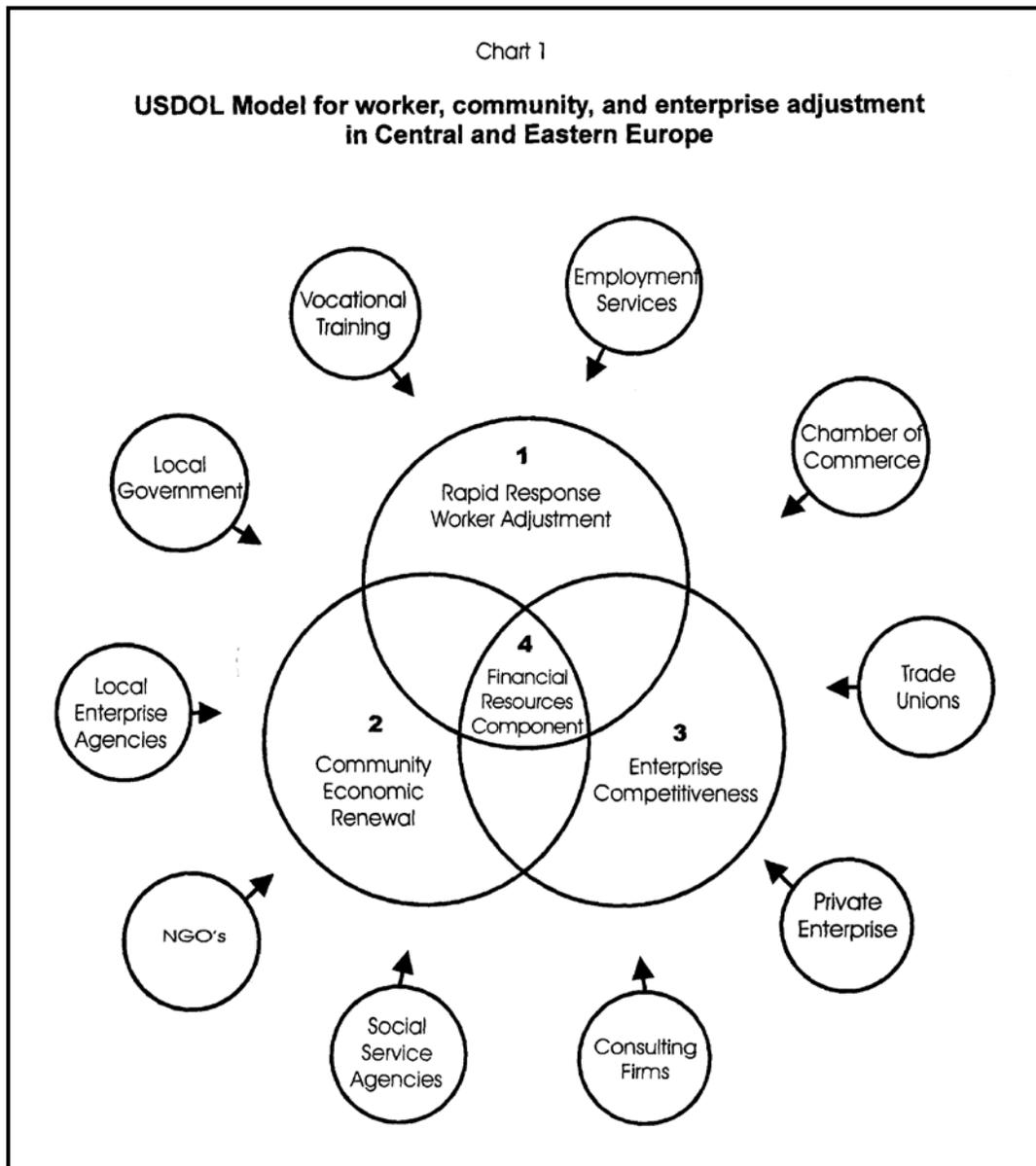
¹ Some of the statistics and other material used in this article are taken from the *Rapid Response: Final Project Report: 1994-1999*. For a discussion of the rapid response project at an earlier period see: Gary B. Hansen and Maria T. Heidkamp, "Innovative Approaches to Worker and Community Adjustment in Hungary," Chapter 6 in *Regional Development and Employment Policy: Lessons from Central and Eastern Europe*, edited by Maarten Keune. (Budapest: ILO CEET, 1998).

² For an explanation of how the model was developed, see: Gary B. Hansen, "A Model to Achieve More Successful Worker, Community and Enterprise Adjustment in Central and Eastern European Countries Undergoing Economic Restructuring and Privatization," Paper presented at the 5th European Regional Congress on Industrial Relations, Dublin, Ireland, August 26-29, 1997.

development efforts and generate new jobs in communities impacted by enterprise restructuring,

3. an **enterprise competitiveness component** to strengthen surviving enterprises and preserve jobs, and
4. a **financial resources component** to fund the first three components.

Chart 1 presents a graphic representation of the four components of the integrative USDOL Adjustment Model.³ The smaller circles indicate the type of community partners who are involved in implementing an adjustment project. The following sections describe the three operational components in greater detail and discuss how they were implemented in Hungary.



³ Gary B. Hansen, "USDOL Model," USDOL/OFR, January 29, 1999.

The Rapid Response Worker Adjustment Component

During the past two decades, major structural changes in North America and Western European economies have dramatically increased the numbers of workers permanently losing their jobs. Technological innovations, consumer preference changes, and increased global competition have caused the restructuring or closure of marginal businesses and raised the level at which companies must perform to stay in business.

To address the impact of these problems on workers and their communities, governments have adopted legislation that provides a basic institutional framework for responding rapidly and delivering an increased level and targeted set of adjustment services to help workers faced with mass layoffs and plant closings find new jobs prior to or after their existing jobs are terminated.

The legislation in the United States is based on five premises:

1. It is good business to meet the needs of the work force. How an employer handles a layoff or plant closing can have significant impact on the enterprise and community for years to come.
2. State and local governments play an important role in facilitating worker adjustment.
3. Prompt intervention and appropriate services help workers cope with job loss.
4. Adjustment services are more beneficial to workers when they are available on-site rather than off-site and before dislocation rather than after.
5. Worker adjustment assistance is best handled by those directly affected by the layoffs—the workers and managers in the enterprise.

Rapid Response and accessibility of services. Premises 3 and 4 highlight one of the important features of North American approaches to worker adjustment—the use of rapid response and on-site availability of services. Because there is often a gap between the time workers receive notice of an impending layoff and the time they become eligible to register as unemployed, the goal of rapid response worker adjustment is to provide effective support and intensive action during that critical period.

Experience in the United States and other countries shows that about-to-be dislocated workers are more likely to take advantage of employment help before they are laid off than afterwards and rapid and effective pre-layoff intervention helps to prevent long-term unemployment. Services that are made available on-site or at a location convenient to the workers and before layoff facilitate peer counseling and organizing the delivery of other essential services. Usually, the longer workers are unemployed the harder it is for them to find jobs; therefore they are more likely to join the ranks of the long-term unemployed. Workers faced with losing their livelihood also experience some very negative emotions, including anger and depression.

Reemployment Assistance Committees. The use of ad hoc committees or teams made up of management and worker representatives to organize and direct adjustment programs, alluded to in premise 5, is often difficult for some people, including government officials in some CEE countries, to understand. However, the North American experience has conclusively demonstrated that labor-management adjustment teams or reemployment assistance committees

(RACs), as they are sometimes called, are one of the most successful and cost-effective techniques to deliver assistance to workers facing dislocation. Consequently, an emphasis on this approach is included in worker adjustment legislation in North America.

Worker Assistance Resource Centers. Another valuable tool used in North America to help workers make a successful transition after dislocation is the centralized Worker Assistance Resource Center (WARC). The WARC can be a room or a whole building, preferably located on-site or other space convenient to the about-to-be dislocated workers. It is a place where workers can get the information and services they need, as well as the social support (including peer counseling) that makes the transition to a new job or training easier. WARCs have office equipment and a variety of materials to help workers find jobs or obtain services. They provide information and help with resume writing and usually have job clubs and a job board and/or employment hotline to help workers find job listings and job openings. WARCs also provide information and access to training, education and other community resources. Because of their value, WARCs are often organized and operated by Reemployment Assistance Committees.

Industrial Adjustment Units and Industrial Adjustment Specialists. The North American legislation recognized that effective worker adjustment capability requires that each state or province be actively involved in facilitating the process, as indicated in premise 2. They should gather and share information about potential dislocations and the availability of services, coordinate with all state and local service providers, and establish good communication linkages with businesses, labor, and communities. Because of the importance of the adjustment function, and the skills required to carry it out successfully, specialized units have been created in government agencies at the state or provincial levels and highly skilled professionals called Industrial Adjustment (IA) specialists⁴ have been hired to provide ongoing leadership to the process.

In the United States, IA specialists work at the state level in industrial adjustment units called State Dislocated Worker Units to implement the *Rapid Response Worker Adjustment* component. In Canada, IA specialists work in a national Industrial Adjustment Service. In both countries the IA specialists facilitate the timely organization and implementation of adjustment programs in enterprises and communities undergoing economic restructuring. Their primary objective is to work with restructuring enterprise managers, worker representatives and community leaders to assess their situation and facilitate the development of action plans to transition large groups of workers to new employment as quickly as possible.

Whenever possible, IA specialists encourage and assist enterprise management and worker representatives to set up a Reemployment Assistance Committee in advance of the layoffs to develop and implement an action plan and to establish a Worker Assistance Resource Center to provide or make available many of the services.

Chart 2 below outlines the basic steps IA specialists and IA units take to organize and implement a rapid response worker adjustment program.

⁴ In this paper the title Industrial Adjustment Specialist describes the person who performs this role. In Hungary, these people were originally called layoff coordinators, but now they are now called Regional Employment Counselors.

Chart 2
Actions IA specialists and IA units take to start and manage rapid response worker adjustment programs⁵

1. **Establish early warning networks** and continually assess enterprises and industries subject to economic restructuring and downsizing.
2. **Initiate direct contact** with the restructuring employers and labor organizations representing their workers (if one exists) to meet with them about the impending restructuring or closing.
3. **Make a preliminary assessment** to determine the size and complexity of the potential labor dislocation.
4. **Assess the ability of those affected to cope** with the anticipated change.
5. **Set up a mechanism** to organize and manage the worker adjustment program in the enterprise, preferably a labor-management reemployment assistance committee (RAC).
6. **Provide training to the RACs** as they begin their work and conduct a survey of workers to determine the most vulnerable employees and their needs.
7. **Provide technical assistance** to the RACs as they develop and implement an action plan and organize a WARC.
8. **Monitor the progress** and results and assess the relevance of the strategies and programs used.

Implementing the Rapid Response Worker Adjustment Component in Hungary

The USDOL Hungary Rapid Response Project used the rapid response worker adjustment approach because of the model's success in other countries, its flexibility, and Hungarian legislation and its initiation of tripartite (labor, management and government) cooperation.

The rapid response concept and RACs were introduced into Hungary in late 1994. The USDOL Hungary Rapid Response Project, in cooperation with the Ministry of Labor and National Labor Center (NLC), trained 30 directors and staff from the County Labor Centers (CLCs) to function as CLC rapid response IA specialists in four pilot regions during a one-week workshop. U.S. worker adjustment materials were adapted and translated into Hungarian for use in the IA training.⁶ Later, under the direction and leadership of the USDOL Rapid Response Project manager (an experienced worker adjustment and RAC expert), the CLC IA specialists organized RACs in the pilot regions.

The Rapid Response Project provided technical assistance to the CLCs, but required the CLC IA specialists to implement the RACs. Early on, the CLC IA specialists revised and adapted sample U.S. committee documents and procedures into Hungarian for the RAC projects. In

⁵ For a more detailed discussion of the role and functions of IA specialist in starting and managing a rapid response worker adjustment program in CEE countries see: Gary B. Hansen, "The role of Industrial Adjustment Specialists in organizing and facilitating the delivery of adjustment assistance to dislocated workers in CEE countries," (OFR, USDOL, September 21, 1999).

⁶ *Establishing Labor-Management Adjustment Committees: A Handbook for Industrial Adjustment Specialists*, USDOL Hungary Rapid Response Project, 1994. *Guidebook for Labor-Management Committee Members and Third Party Neutral Chairpersons*, USDOL Hungary Rapid Response Project, 1994.

March 1995, before the first RAC projects were completed, the NLC requested that all CLCs be given rapid response training and that the project be expanded nationwide.

Starting a Reemployment Assistance Committee

Upon receiving notice of an impending layoff, a CLC IA specialist contacts the company to verify the situation, offers assistance and helps the company consider alternatives to layoffs. In some cases, the CLCs can offer a job-retaining subsidy or cover the cost of “preventive training” if an employer states that the layoff can be avoided by upgrading the workers’ skills. Depending upon the situation, the CLC IA specialist discusses the possibility of establishing a RAC, ideally located on site, with the company.

If the company and employee representatives agree, the CLC IA specialist helps them set up a RAC. RACs have had as few as six members to as many as 16 members and include representatives from labor (trade union and works council), management and the dislocated workers. They also include a neutral chair from the community. The chair should be well-respected and able to help with job development. Retired HR managers, local elected officials, members of Parliament, teachers, professors and staff from Local Enterprise Agencies have served as chairs.

Hungarians often joke that the best way to obscure a problem is to create a committee. To insure that this does not happen, the RAC must be focused, pro-active and productive. The CLC IA specialist takes several draft documents to the RAC inception meeting, including:

- sample RAC agreement forms that outline each party’s roles and responsibilities and the resources that can be made available to assist them;
- RAC procedural rules; and
- a description of the chair's role.

At the first RAC session, RAC members learn how RACs work and are helped to define their mission. The members also receive training to help them function effectively, including how to use brainstorming and consensus decision-making techniques.

Typically, a RAC begins its work by surveying the about-to-be dislocated workers concerning their needs and skills. The agenda for the initial meeting usually includes making plans for the survey by reviewing draft surveys.

Following an analysis of the completed survey supplemented by personal interviews, the CLC and RAC develop and implement an action plan for the about-to-be dislocated workers.

Typical activities include:

- Setting up an on-site worker assistance resource center (WARC) where the dislocated workers can go for peer support, information, counseling and job listings;

- Arranging for information sessions and workshops on training programs, entrepreneurship, legal and financial questions, job search skills, and other topics;
- Communicating with the dislocated workers and the community at large through newsletters, the media, personal interviews, and small group meetings;
- Developing employment opportunities by organizing job fairs, advertising workers' skills, contacting area employers, word-of-mouth outreach, and tapping into the “hidden job market” to learn about jobs not listed with the employment service;
- Serving as advocates for the about-to-be dislocated workers;
- Encouraging partnerships with other agencies that may have resources to assist the effort, such as Local Enterprise Agencies (LEAs), municipalities, chambers of commerce, non-governmental organizations (NGOs) and others, whose representatives sometimes become regularly invited guests to RAC meetings;
- Monitoring the status of individual dislocated workers, their participation at RAC events and placement rates, other feedback and altering the RAC strategies as needed;
- Fostering links with or starting new job creation/economic development efforts.
- Evaluating the need for and starting enterprise competitiveness efforts if needed

During the initial phase of their work, RACs generally meet one or more times a week; then every two to three weeks as needed. In between meetings, RAC members, the chair and the CLC and its local branch office IA specialists do committee tasks and keep the lines of communication open.

When the work of a RAC is completed, which could take from several months to several years, the RAC members and CLC IA specialist assess their efforts, and the RAC chair prepares a final report. Then the RAC ceases operations or temporarily suspends if there is a significant time break between the phases of the layoff.

But even when a RAC disbands, the partnerships formed between it, the CLC and other community actors—Local Enterprise Agencies, municipalities, chambers of commerce, employers, trade unions, Job Clubs, training institutions, NGOs, the media and others—often evolve into ongoing relationships that serve as a catalyst for future local economic development.

Chart 3 summarizes the four-phase process used to establish Rapid Response RACs in Hungary.

Chart 3
Four Phase Process for Implementing a RAC in Hungary

Phase One: Verify layoff and determine needs

Look for layoff alternatives and demonstrate the value of a RAC to enterprise management and employee representatives--trade union and works council representatives

Phase Two: RAC Inception

Select RAC members from trade union, works council, dislocated workers and management

Select neutral Chair

Sign an agreement among the CLC, enterprise and employee representatives specifying responsibilities and procedures

Orient the RAC to its mission and how to use brainstorming and consensus decision-making

Phase Three: RAC work

Inform workers about the RAC and its goals

Survey dislocated workers about their skills and needs

Analyze dislocated workers' needs survey

Develop and Implement an Action Plan

1. Develop an Internal Communication plan to reach the about-to-be dislocated workers through newsletters, bulletin boards, personal contacts, letters °
2. Develop an External Communication plan using the media and community contacts
3. Encourage partnerships with Local Enterprise Agencies, municipalities, chambers of commerce, employers, trade unions, job clubs, training institutions, NGOs, the media and others and use their resources
4. Arrange for Information Sessions about training, retirement, entrepreneurship, Job Clubs, legal questions, etc.
5. Set up an on-site Worker Assistance Resource Center to provide the about-to-be dislocated workers with information, counseling, job listings and peer support
6. Organize job search skills workshops and Job Fairs with area employers and other programs
7. Develop employment opportunities and tap into the "hidden labor market "
8. Serve as an advocate for the about-to-be dislocated workers

Monitor employee participation and adjust RAC efforts as needed by reviewing:

1. Survey of Workers' skills and needs
2. Attendance at RAC sessions
3. Registration for training, Job Clubs, etc.
4. Job placements

Foster links with or start new job creation/economic development efforts (LED Projects)

Evaluate needs and start employee competitiveness projects as needed (EC projects)

Phase Four: Evaluate and Wrap-up

Complete and submit reports: the Chair's final report, CLC assessment, RAC members' assessment, CLC follow-up survey

Financing RAC Worker Adjustment Activities

During the first year of the USDOL Hungary Rapid Response Project no U.S. funds were made available to the CLCs or to the RACs because it was thought that existing government resources could cover most of the costs. But after the first RACs were established, it became clear that the CLCs could not readily cover their operating costs.

When the project started in Hungary, the concept of early intervention was difficult to achieve because some CLC services could not be accessed until a worker was officially registered as unemployed. But once the Hungarian government institutionalized the RAC model, the RAC clients were allowed to access services during their notice period.

Some employers were willing to pay for the chair in addition to making in-kind contributions. But U.S. experience shows that a chair is not likely to be perceived as "neutral" when paid for by the company. Therefore, it was decided that a separate source of committee operating support is necessary.

Beginning in the second year of the U.S. pilot project, the RACs could apply for up to \$2,500 for operating costs, including neutral chair fees, job fairs, newsletters, and Action Center costs. But employers and CLCs continued to make in-kind contributions, including space for meetings and staff time. Generally, existing CLC resources were used to finance training, Job Clubs and other services.

Rapid Response Worker Adjustment Outcomes

The Hungary Project found that the rapid response worker adjustment component works best when its partners are committed to the process and motivated RAC members design programs that meet the workers' needs, communicate important information, and provide moral and peer support. The facilitation and support provided by the CLC IA specialists were critical, especially during the early phases of RAC work.

Number of workers served by RACs. During the four years after the RACs were introduced, the CLC IA specialists helped 60 firms with enterprise layoffs (including heavy and light industry, public administration and the army) that dislocated 10,578 workers. Of those workers, 8,115 (77 percent of them) participated in the RAC programs. At the 60 sites, the RACs helped 3,551 dislocated workers (49 percent of the 7,256 active job seekers) to find new jobs. The RACs also tried to empower the job seekers to help themselves. Several RAC members said that the RAC efforts highlighted new realities for them.

RAC Costs versus Unemployment Benefit Costs. In one county that undertook five pilot sites, 43 percent of the active job seekers found new jobs. If that 43 percent had not found jobs through RAC activities, it is estimated that they would have cost the government 30 million forints in unemployment costs in one year. The unemployment costs would have far exceeded the estimated cost of 2 million forints for the total RAC activities, including staff and in-kind costs of the CLC and a small Rapid Response Project contribution for operating costs and a training project. Another 31 percent of the job seekers either found jobs or sorted out their job situations on their own, but they may have used some RAC services. Only 25 percent of the workers registered as unemployed.

Reduction in time of Unemployment. In addition to reducing unemployment costs, the RACs significantly reduced the amount of time it took about-to-be dislocated workers to find new jobs. Project statistics show that RAC services cut the amount of time it took about-to-be dislocated workers to find jobs from 265 days to 130. This reduction saved the government considerable

unemployment and other social services costs. The reduced costs plus the high worker placement rate earned government support to institutionalize the model.

Customer Satisfaction. A customer satisfaction survey of a sample of the RAC participants found that 73 percent of the job seekers who found new jobs credited the RAC for their success, 97 percent said they would use RAC services again, and 97 percent said they would recommend RAC services to other workers in similar situations.

Other Findings

The Rapid Response Project's experience with layoffs confirms similar findings in other countries. Among the most important is that early intervention is critical when dealing with layoffs. CLC staff were surprised to learn that about-to-be dislocated workers are easier to help while they are still employed and during their notice period than after they have been unemployed for several months.

The project also found that even in high unemployment areas, an active RAC with a well-equipped on-site WARC can find job leads. A CLC branch office in one area with a 30 percent unemployment rate averaged only one job listing per 100 job seekers until a local RAC actively canvassed area contacts. That RAC-operated WARC achieved a 60 percent active job seeker placement rate. This approach is called tapping into the "hidden job market"—finding jobs that are not listed with the employment service or are hidden from view.

RACs can also help with local economic development. For example, an entrepreneur who wanted to set up a seamstress workshop in an area contacted a RAC to help identify a possible location and potential employees. The RAC put the entrepreneur in touch with the mayor and Local Enterprise Agency director who were also RAC partners. Shortly thereafter, the seamstress workshop was set up.

The USDOL Hungary Rapid Response Project found that several factors affect layoffs in an economy in transition. When the project began, unemployment was still a relatively new phenomenon in Hungary. Consequently, information about how to cope with bouts of joblessness, skills transfer and occupational change was very limited or nonexistent. Many people expected the government to solve the unemployment problems.

Sustainability

Because of the RACs' success in reducing the time from unemployment to new jobs, in November 1997 Hungary's Parliament decided to include the rapid response worker adjustment component in its Employment Act. Since mid-1998 Hungarian support for RACs has been available in all County Labor Centers.

Additional efforts by the Rapid Response Project in conjunction with the Ministry of Social and Family Affairs to support the sustainability of the rapid response worker adjustment component include:

- the development of a Hungarianized RAC training manual/reference handbook

- the development of RAC software to track the progress of dislocated workers and to compute basic committee statistics
- training for 18 CLC trainers
- training provided by Project-trained trainers to 389 staff from all 200 CLC branch offices in the country during 20 sessions in May and June 1998
- quarterly meetings to continue technical and professional support to a network of IA specialists (CLC Regional Employment Counselors)
- the development of a sample RAC brochure for employers anticipating layoffs.

Hungary is currently involved in restructuring its nonintegrated coal mines. The Ministry of Economic Affairs has integrated the Rapid Response RAC model into the government's plans to address the consequent layoffs. This should provide valuable lessons for other countries facing similar mining sector restructuring.

The Community Economic Renewal Component

In 1994, an international consultant attempted to launch a local economic development (LED) component as part of the USDOL Hungary Rapid Response Project. The consultant conducted a workshop and tried to work with the various stakeholders in the same region where the first layoff project and RAC were located. That LED attempt failed because the approach used was unsuitable and the local actors were not committed to it. They did not feel it belonged to them. For an economic development project to succeed, the local actors must take ownership of the project and be committed to seeing it through. Local actors also need an effective LED component or model with a step-by-step process to follow. Subsequently, the Hungary Rapid Response Director heard about an LED model that might be more suitable.

The LED model selected for use in Hungary was a community-based approach that had been developed and successfully used in the United States to help rural and smaller communities in their economic development efforts.⁷ It was adapted for inclusion in a resource guide written in 1996 as part of a pilot ILO/UNDP regional LED project in Central and Eastern Europe. The two-part manual developed for that project is entitled: *A guide to entrepreneurial Initiatives for Local Economic Development*.⁸ Most importantly, the training materials in Part I of that manual are so organized as to enable local facilitators to plan and direct the LED process themselves.

Part I explains the principles of economic development, provides workshop materials for conducting community assessments, developing strategic plans and generating project ideas,

⁷ The original workshop manuals were prepared by the Rocky Mountain Institute and made available by the US Small Business Administration.

⁸ (Geneva: ILO, 1996) This guide was originally prepared by Gary B. Hansen in March 1996 and was designed to help community leaders and local economic development specialists develop and implement participatory, grassroots LED programs. Based on experiences gained while using the manual in Hungary and elsewhere, the author revised it in October 1998 and again in June 1999 with support from the USDOL. It is now being used in five countries: Hungary, Romania, Bulgaria, Poland and Macedonia.

identifies institutional structures for carrying out economic development, and gives examples of successful planning efforts by communities around the world.

Part II of the ILO/UNDP LED guide provides workshop participants with comprehensive “how to” sections and useful descriptions of innovative approaches to economic development, and especially job creation and preservation. The chapters cover such topics as techniques for small firm networking and inter-firm cooperation, steps to starting and working with business incubators, examples and basic steps for starting business retention and expansion programs, and information about establishing unique forms of entrepreneurship and business ownership as part of economic development strategies.

The Hungary Rapid Response Project requested the opportunity to translate and pilot test the new American-based ILO/UNDP LED materials. The LED model adopted by the Hungary Project is a grassroots participatory method called the Community Economic Renewal (CER) component. The goal of the CER process is to help local, community and regional leaders facing serious economic threats to develop strategic plans to guide their renewal and development efforts, to identify suitable projects to implement, and to collect information to help them organize strong organizations that promote economic development on a continuing basis.

Participatory grassroots LED efforts were not common in Hungary. Many local leaders believed that the answers to their problems should come from the central government or professional consultants. But with the decentralization of regional development funds, local leaders soon learned that they must come up with their own solutions to local economic renewal problems.

The Hungary Rapid Response Project’s CER component calls for the CLC IA specialists (the same CLC regional employment counselors who worked with the RAC projects) to work with government, business, labor and community leaders in areas experiencing economic restructuring and privatization to help them better understand local economic development and economic renewal principles. These principles include creating a new sense of “community” and building confidence in the local area leaders’ ability to work together to effect change.

The core group or strategic committee that identifies and sets up the broader local CER team to implement the CER component should include a local or regional IA specialist and other key actors such as mayors, Local Enterprise Agencies, NGOs, local area federations, businesses, chambers, Regional Training Centers, County Development Councils, incubator houses, banks, tourism agencies and other interested community members.

The CER process promotes local economic development by teaching community members the principles of local economic development and helping local actors conduct community assessments, develop local area strategies, and identify and evaluate concrete projects for implementation. With the organizing and facilitating help of the core group and an IA specialist, the community-wide CER team participates in a series of four one-day workshops conducted over a two- to four-month period. The workshops help them develop a local development plan and generate ideas for specific projects. The length of time between workshops depends on scheduling, vacation schedules, availability of international trainers, and other constraints.

Using brainstorming and consensus techniques, participants work in small groups to identify problems, needs, assets, windows of opportunity and additional information needed. In between workshops, participants do homework and collect needed information. Special meetings or training sessions are also organized along with visits to other areas to observe specific initiatives, such as business incubators and telecottages, in action. The outcomes of the CER workshops are strategic plans and one or more concrete projects that the participants can begin to implement with seed funds provided by the Project's financial resources component and augmented by funds from other sources.

Chart 4 below presents a summary of the CER component's Phase I.

Chart 4
Phase I: Community Economic Renewal Workshops
"Discovering Business Opportunities in your community"

Workshop A: The Factors Analysis—
Helps the participants understand factors that affect business conditions:
⇒ analyze the factors (e.g., access to capital, business environment, infrastructure, human resources, and quality of life) that affect business conditions in the community
⇒ determine what is needed to address business conditions

Workshop B: Economic Renewal Principles Analysis—
Helps the participants understand economic renewal principles:
⇒ understand and use the four proven economic renewal principles to revitalize the local economy: (1) plug the leaks, (2) support existing businesses, (3) encourage new enterprise creation; and (4) recruit compatible new businesses
⇒ determine what they need to address business conditions

Workshop C: Generating Project Ideas—
Helps the participants generate specific economic renewal project ideas that will improve business conditions:
⇒ summarize business conditions
⇒ develop project ideas
⇒ analyze the potential of each project idea
⇒ determine how the project will improve business conditions

Workshop D: Evaluating Project Ideas—
Helps the participants evaluate the high priority project ideas and choose projects to initiate in the community:
⇒ consider the community's preferred future
⇒ analyze the resources
⇒ identify pitfalls and liabilities
⇒ determine project timing
⇒ look at people and politics
⇒ determine who benefits
⇒ assess the risks and rewards

Output of Workshops: a "Blueprint for Action"—
One or more specific economic renewal project ideas that the community can implement

The detailed planning and implementation of these projects are carried out in Phase II. Chart 5 outlines the steps carried out by the participating communities during Phase II.

During Phase II, the community teams participate in a Project Implementation workshop conducted by the international trainers, Hungary Rapid Response Project Manager and Industrial Adjustment Specialists on how to organize and implement CER projects in their communities. The community teams receive training on writing a formal proposal to the Rapid Response Project and any other potential funding agencies. They also learn how to design and establish organization and management structures needed to carry out CER projects, and how to develop action plans to implement their projects. Finally, they receive training on how to evaluate the completed projects.

Chart 5

Phase II: Community Economic Renewal Project Implementation
“Implementing Business Solutions in your community”

Step One: Proposal Development

Write and submit proposal to implement CER projects in the community

- ⇒ Introduction to region, issues and problems
- ⇒ Summary of Factors and Economic Renewal Principles
- ⇒ Proposed goals, objectives and economic renewal projects
- ⇒ Project work plan and implementation team
- ⇒ Budget and matching funds

Step Two: Project Organization and Management

Establish organization and management structures needed to implement projects

- ⇒ Legal structure of project
- ⇒ Charter and mandate
- ⇒ Organization structures
- ⇒ Project management
- ⇒ Implementation teams

Step Three: Project Implementation

Develop action plan for projects and make assignments to each work group or team.
Implement action plan using project management tools:

- ⇒ Action log
- ⇒ Timeline and milestone chart
- ⇒ Meeting schedule
- ⇒ Reporting criteria and procedures
- ⇒ Monitoring and follow up

Step Four: Project Evaluation

Evaluate results and impact of projects on business conditions

- ⇒ Results of projects completed—summarize objectives, planned and unplanned outcomes
- ⇒ Impact of projects on goals, factors and economic renewal principles

Step Five: Next Steps

Update the strategic plan and consider new projects

After the project implementation workshop, community teams prepare and submit their formal CER proposals to the Rapid Response Project Manager. The CER proposals are reviewed by the Project Staff and international trainers and by a local CER advisory committee if one exists. Once the proposals are approved for funding the communities can start implementing their projects.

Financing the CER workshops and projects

The Rapid Response Project provides support (between \$2,500-\$5,000) to defray the costs of conducting the four Phase I workshops in each community. In addition, local areas that successfully complete the workshops become eligible to participate in the project's second phase, project implementation, for which \$25,000-30,000 in seed funds can be made available to help them carry out their projects.

Implementing the CER Component in Hungary

In June 1996, two International LED consultant-trainers introduced the CER component in Hungary and taught Phase I CER implementation procedures and facilitation skills to 30 CLC IA specialists from 20 CLCs during a one-week facilitator-training workshop. The original aim was to work with five pilot sites during Round One, but the interest was so high that the CLCs requested that the project be expanded following the passage of regional development legislation. This was agreed to with the understanding that the CLCs and their local partners would accept the full responsibility for organizing the local workshops.

Twelve counties chose to participate in the first round of pilot sites, including one county that proposed to work with three small separate regions at the same time. Thus, 14 pilot sites, covering one to 42 communities or federations of communities ranging in size from 3,500 to 80,000 people, were selected to participate in the first round of workshops. The pilot sites included declining heavy industrial areas as well as less-developed rural and agricultural areas.

CLC IA specialists assessed how committed local areas were to participating in the LED effort. In addition to their proposals, the areas were required to submit letters of commitment from a range of area actors stating that they understood the basic parameters of the model and agreed to the minimum time commitment required.

The CLCs also worked with the core team of local actors to compile an LED mailing list after which the CLCs and their partner organizations contacted the people on the list. Most of the letters of invitation were signed by the CLC director and at least one other local actor, usually a mayor or local federation director. The multiple signatures from different organizations helped to emphasize the collaborative nature of the CER process.

The pilot sites made good use of the media to advertise the workshops. Local television, radio and print journalists were contacted before the workshops were held, and the coverage was extensive.

The first round of CER workshops was held between October 1996 and June 1997.⁹ They were conducted by two International LED consultant-trainers plus a local CLC IA Specialist and Rapid Response Project manager who served as co-trainers and facilitators. The CLCs and their local partners handled the workshop organization and logistics along with all the homework, documentation of sessions and between workshop activities. The workshop materials consisted of the above-mentioned two-part international LED Guide containing a participant's workbook and economic development opportunities handbook that had been translated into Hungarian. The workshops lasted most of the day and included lunch and refreshments for the participants. Most of the work was carried out in small groups of 8-10 people and was facilitated by local facilitators, usually members of the local strategic committee or CLC IA specialists. All 14 areas participating in Round One successfully completed Phase I, the strategic plan development and project identification phase.

Workshop attendance ranged from 25 to 80 people, with an average of 42. A percentage breakdown of attendees at six CER workshops shows that 36 percent were local government officials, 17 percent were entrepreneurs, 16 percent were from county organizations, 13 percent were from NGOs, 7 percent were local professionals, 5 percent were from banks and financial institutions, 2 percent were from trade unions, and 2 percent were other local residents.

During Phase II, the 14 local areas received additional instruction and technical assistance from the international trainers and IA specialists on preparing a strategic plan, writing a formal proposal, setting up a project structure and team, and how to implement, manage and evaluate a project.

In September 1997, the 14 local areas working with the CLCs submitted formal proposals to implement 24 projects in Phase II. The proposal materials included summaries of the Phase I workshops, information on their successes to date, copies of their strategic plans and vision or mission statements and details about how they planned to implement the specific projects. Each county was eligible for \$25,000 except for one county with three areas; each of those three areas was eligible for \$15,000. The money could be used for one or more projects.

The Rapid Response Project Director, international trainers and Project staff reviewed the completed project proposals to determine whether they met the established criteria. All 24 projects from the first 14 pilot sites were implemented with some U.S. support. These 24 projects included tourism (6), business development (6), information centers/telecottages (5), local economic development offices (4), and agricultural (3). Numerous other projects were implemented with outside support or community resources. The first round of projects and related spin-offs attracted about \$3.58 million from other sources in addition to the \$298,000 provided by the Rapid Response Project, a ratio of 12:1.

Upon the completion of Phases I and II of Round One, it was decided that the LED manuals should be "Hungarianized," revised to reflect pilot experiences as well as the economic development realities, institutions and the legislative environment in Hungary. A committee of CLC IA specialists was selected to carry out that work. The revised Part I of the LED Guide

⁹ Because of the large number of pilot sites, the international trainers' schedules, the Christmas holiday period, and other reasons, the Round One workshops required more than the originally planned four months.

became Volume I, a participant or self-help manual. A facilitators' guide containing information about the skills and preparedness required for workshop small group leaders became Volume II. A manual containing primarily local case studies and resources developed to supplement Part II of the international LED manual became Volume III.

Following Round One, a revised edition of the international LED guide was prepared, that incorporated the Hungarian pilot experience plus new materials that became available after the first edition was published.¹⁰ The revised international edition is now being used in USDOL adjustment projects being carried out in other CEE countries.

Because of the positive response and enthusiasm generated during Round One, 17 additional sites in 12 counties were added during a second round of CER Phase I and II activities between March 1998 and June 1999. Each of the 12 counties was given \$5,000 to support its Phase I activities. Five counties split the amount between two local areas. To support Phase II activities, each of the 17 sites was given \$5,000 in seed funds to divide among one or more projects. The reduced amount was the result of reduced project funding levels as well as the belief that additional resources were available through other local and government channels.

Before the project ended in July 1999, five additional regions completed the Phase I workshops as part of a special Round Three. Of those five regions, two included three-county areas, one of which was the first to use the LED method. The other three regions were tied to areas that used RACs to cope with significant layoffs, including two coal mine closures. One region completed the three workshops on an accelerated one-month schedule to enable the local areas to meet the PHARE proposal deadlines. Although they did not receive any Project funds as seed money, several of them are expected to receive some support to implement projects growing out of the CER workshops by special arrangement with the National Employment Foundation (OFA).

Because the Project emphasized building local capacity, the Hungarian CLC IA specialists conducted the second and third rounds of CER Phase I workshops without the assistance of international trainers. However, the Rapid Response Project's manager and international LED trainers provided additional training to the CLC IA specialists at Project-sponsored quarterly meetings.

CER Outcomes

Extent of Participation and Impact on the Economy. During a three-year period, 31 areas, representing over 400 municipalities, individual communities or federations of communities, implemented the complete CER component (Phases I and II) under the auspices of the Hungary Rapid Response Project. Results from those 31 areas indicate that 867 new jobs were created, 156 workers retained their jobs, 781 workers received training, and 92 entrepreneurs started new businesses. An additional five areas also completed an accelerated Phase I. In the 36 participating areas, 56 local economic development projects were undertaken, and numerous others grew out of the CER Phase I workshops.

¹⁰ (Second Edition, Revised in October 1998 and again in June 1999)

Leveraging of External Funds. Participation in the CER workshops has been economically advantageous for the 31 areas that completed Rounds One and Two. They used their CER-designed strategic plans and projects (and Project grant funds) to leverage substantial additional funds from other sources. As noted previously, those 31 areas obtained roughly 12 times the U.S. financial support amount from other sources—mayor’s offices, County Development Councils, PHARE, National Employment Foundation, Ministry of Agriculture and Rural Development, Telecottage Federation—to carry out their projects. One of the five Round Three areas obtained PHARE support in excess of \$1 million for its projects and plans.

Participant satisfaction. CER Workshop attendees indicated that they were pleased with the results of the USDOL Rapid Response Project-directed CER efforts, and 97 percent said the workshops achieved their goals. The participants said that the emphasis on broad community support “increases the odds for the implementation of the strategies and projects, rather than resulting in plans that sit on shelves.” Equally important, they said that the CER approach helps local people realize “they must take the situation into their own hands.” One community group said that the earlier LED strategy had involved “waiting and hoping for a new investor to come to town to save them. But the CER process showed them that nothing was going to happen if they did not take concrete steps on their own.”

Types of Projects. A variety of projects were planned and implemented by the 36 communities in Hungary. Chart 6 below lists some of these projects.

Chart 6	
Economic renewal projects initiated by communities in Hungary	
<input type="checkbox"/>	organic farming and food processing plants;
<input type="checkbox"/>	telecottages;
<input type="checkbox"/>	business innovation and information centers;
<input type="checkbox"/>	cold storage fruit facility;
<input type="checkbox"/>	foundation to help the unemployed;
<input type="checkbox"/>	local economic development offices and federations;
<input type="checkbox"/>	hiring professional staff to manage local economic development efforts;
<input type="checkbox"/>	network of six tourism offices;
<input type="checkbox"/>	community promotion and marketing program, including preparation of materials;
<input type="checkbox"/>	bike trail;
<input type="checkbox"/>	an integrated agricultural complex;
<input type="checkbox"/>	industrial park planning effort;
<input type="checkbox"/>	supply and marketing cooperative for craftsmen;
<input type="checkbox"/>	village tourism and folk festival;
<input type="checkbox"/>	handicrafts school;
<input type="checkbox"/>	fruit processing and marketing cooperative;
<input type="checkbox"/>	village hotel network;
<input type="checkbox"/>	an ecological and agricultural survey;
<input type="checkbox"/>	computerized cultural database;
<input type="checkbox"/>	an information network;
<input type="checkbox"/>	“youth for economic development project”
<input type="checkbox"/>	area beautification project.

Other Findings

The success of the CER component in the 36 Hungarian sites resulted from the project's unique workshop design and emphasis on three themes:

1. teaching workshop participants the essential principles and techniques of local economic development;
2. encouraging the use of collaboration and partnership among a broad cross-section of local actors; and
3. stressing the mobilization and use of local initiative.

The outcomes and achievements of the 36 sites reflect the participants' successful understanding and application of these themes.

The CER process has had very positive impacts on communities and areas. One group of communities faced with the closure of its major employer credited the CER workshops "with instilling a sense of community in the region that had been lacking for decades." The CER workshops helped them create a local area foundation and to forge a cooperation agreement among the seven mayors. That group published two brochures: one containing information geared to potential investors, and one containing a community assessment, including workshop summaries and projects ideas. One of the association's first projects was a campaign to encourage local residents to devote the one percent of their taxes that could be set aside as an NGO contribution to support the new association and its CER efforts.

The Hungary Rapid Response Project demonstrated that the CER process works when community leaders and workshop participants take ownership of the process from beginning to end and the IA specialists and local workshop facilitators are fully committed and provide leadership in organizing workshops, meeting with participants between workshops to provide assistance, and making sure that the community groups follow up on their assignments and data collection.

In late 1998, the Ministry of Economic Affairs in Hungary decided to launch a new centrally supported local economic development program based on the USDOL Adjustment Model CER component. The National Employment Foundation is currently administering a 100 million forint program that will provide Round One and Round Two seed support for 25 local areas. The Ministry of Agriculture and Rural Development has also incorporated the CER component into its training curriculum for the SAP ARD pre-EU accession program that will reach nearly 200 local areas.

Dissemination and Sustainability

To sustain the CER component, the Rapid Response Project in partnership with the Social and Family Affairs Ministry launched a dissemination training series in the spring of 1999 prior to the project's close-out. One of the goals of the training series is to prepare local actors for potential participation in the new National Employment Foundation (OFA) local economic

development program that is designed to enable local areas to undertake the CER workshop series.

The Rapid Response Project's senior IA specialists became the lead trainers. They trained 36 trainers, including a mix of CLC regional employment counselors and various local area representatives from federations, chambers and other agencies. These train-the-trainer sessions included information about the local development environment in Hungary and using the CER component.

Following the train-the-trainer sessions, the CLCs became the lead organizers for the individual Dissemination Training sessions and were responsible for scheduling the one and one-half day events and coordinating the logistics. Participants from the original 36 pilot areas served as local co-trainers and small group facilitators during the sessions.

Over 1,000 people from local governments, local area federations, NGOs, businesses, chambers, Local Enterprise Agencies, County Development Councils, and others attended the 24 sessions held throughout the country. Follow-up surveys of the participants indicated that 100 percent of those responding thought that the CER component was "a useful model for LED," 88 percent said they would participate in LED in their local area, and 88 percent said they would initiate a similar LED workshop series in their local area.

In May 1999, 5,000 copies of Volume I of the final version of the Hungarian LED manuals (the self-help or participant's workbook used in the CER workshops) were printed. Of those 5,000 copies, 1,100 copies were distributed at the 24 dissemination workshops, 1,500 copies were set aside by the National Employment Foundation for use in the new LED program based on the CER component, and 500 copies were set aside for participants in the SAP ARD training sessions organized by the Agriculture and Rural Development Ministry. Nearly 1,000 copies have been distributed throughout the country to other groups and organizations. The high demand for the manual resulted in the printing of an additional 1,000 copies.

Copies of the final versions of Volumes II and III of the revised USDOL Project CER training manuals—a *Facilitators Guide* and the *Manual of Practical Hungarian Examples*—are being printed and will be distributed to OFA and SAP ARD participants as well as to other interested local areas.

The Enterprise Competitiveness Component

The enterprise competitiveness (EC) component was designed to help state-owned enterprises (SOEs) undergoing restructuring and downsizing as well as other businesses in the impacted communities or region, to become more productive and competitive in the national and global economy. The premise underlying the EC component is that healthy enterprises provide more secure jobs for their managers and workers and can generate additional jobs in the community.

IA specialists accomplish these objectives by providing information to enterprise management and worker representatives about innovative techniques and programs that can be made available

through the USDOL Adjustment Project. The IA specialists help them to assess their situation, and then arrange for or deliver specific EC training and technical assistance services to address the problems identified.

The EC component is an integrative approach that includes six elements, quick start training, interest-based problem solving, productivity improvement and cost saving, training for partnership, small firm networking, and improving human resource utilization. The objectives of this component are to make the enterprises more competitive in the national and global economy—and by so doing preserve and create jobs in the communities. Chart 7 below briefly describes these six elements.

Chart 7	
Elements in Enterprise Competitiveness Component	
<u>Quick Start.</u>	Quick Start training programs to provide customized short-term intensive skill training for employers who start, expand or change product lines to remain competitive and need to retrain their workers or hire new workers with the requisite skills to do so
<u>Interest-based Problem Solving.</u>	Interest-based negotiating and problem solving training programs to improve labor-management relations, and teach problem solving skills to community groups
<u>Productivity Improvement and Cost Saving.</u>	A structured labor-management-directed methodology to increase an enterprise's productivity and reduce costs
<u>High Performance Workplaces.</u>	A structured Training for Partnership program to help employers and workers establish "high performance" workplaces.
<u>Small Firm Networking.</u>	Cooperative approaches to organize and strengthen networking among small firms in an industry or geographic area to enhance their competitiveness in national and international markets
<u>Human Resource Utilization.</u>	Innovative techniques and programs to help managers improve human resource utilization in enterprises

Several of the elements in the EC component were pilot tested by the USDOL in one or more CEE countries, including Hungary, where Quick Start training was first introduced, and in Hungary and Poland where Interest-based problem solving and productivity improvement and cost saving programs were introduced.¹¹

¹¹ For an account of the introduction of interest-based problem solving in Poland see: Gary B. Hansen, "Introducing non-adversarial industrial relations concepts in Central and Eastern Europe: The FSO case in Poland," Chapter 8 in *Central and Eastern Europe—Industrial Relations and the Market Economy*, Volume 8 in the proceedings of the Fifth IIRA European Regional Industrial Relations Congress held in Dublin, Ireland, 26-29 August 1997.

Quick Start

Quick Start and similar customized training models have been widely used in local economic development efforts in the U.S. for a number of years. Unlike traditional institutional vocational training, Quick Start is cost-effective because it is short-term, intensive, and linked directly to jobs. Quick Start training is an essential component of job preservation and job creation programs in the U.S. and is considered to be critical to the successful growth of small and medium-size firms with limited training budgets.¹² Finally, Quick Start programs strengthen the nation's industrial training system by creating partnerships among the employment service, businesses and vocational training centers.

Quick Start partners determine the eligibility criteria to be used to select the companies to receive training assistance and establish the procedures to implement it. A structured training development process is introduced and taught to a training cadre selected by the partners. Then the Quick Start process is used to identify an enterprise's training needs, develop customized training to teach those skills, and prepare trainers to deliver training to both the employed and unemployed workers. The employer and/or vocational training center staff provide the training. In many situations the employer provides the practical on-the-job training and vocational training center staff provide the theory and classroom training. (It should be noted that once the job and task analyses are done, including identifying equipment, safety and job standards, the employer can use this information to measure progress or as part of personnel manuals.) Chart 8 outlines the basic steps to implementing Quick Start.

Implementing Quick Start in Hungary

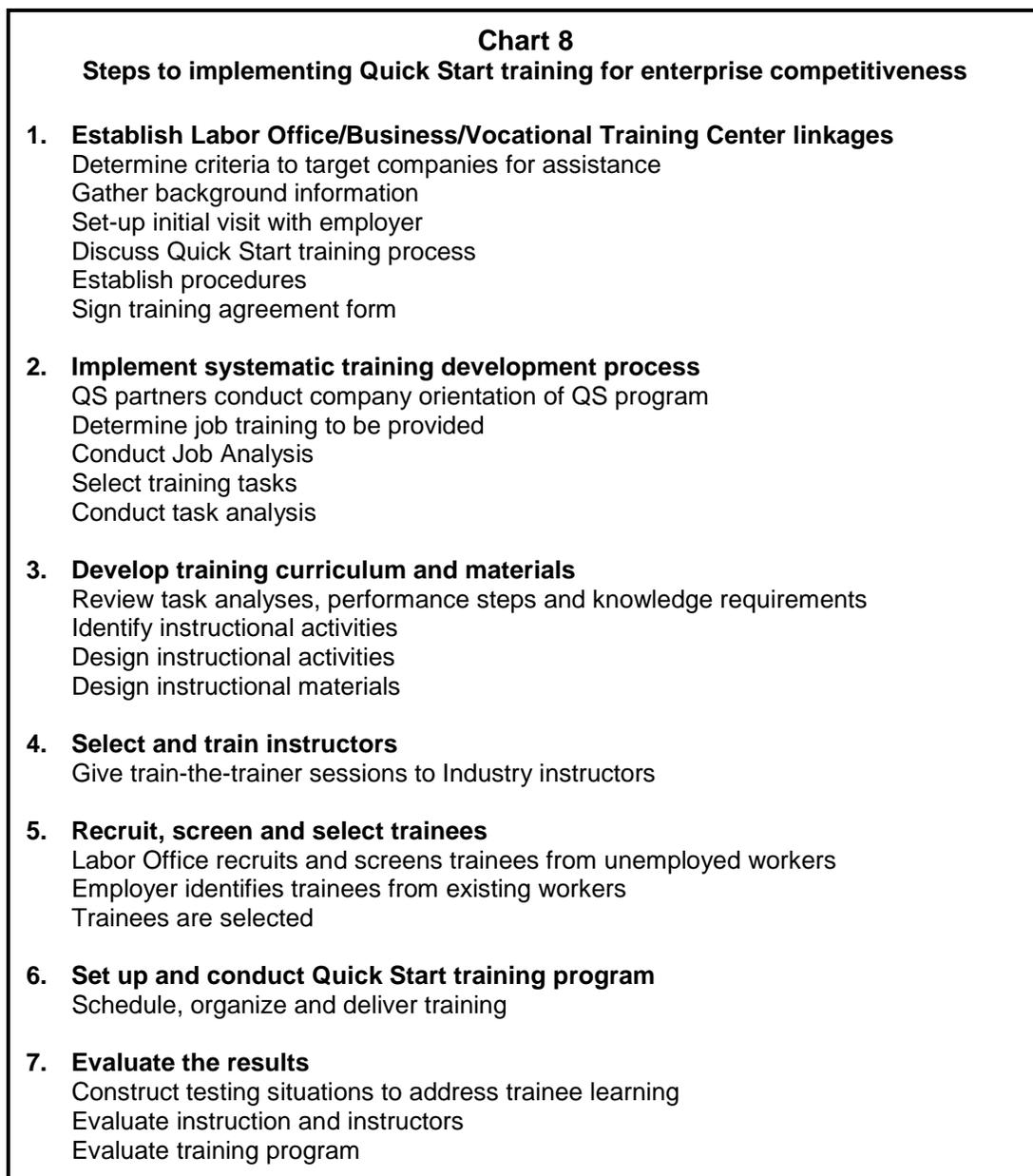
The USDOL first introduced Quick Start in Hungary as a small pilot project to see if it would be effective in the CEE region. First, a Quick Start Training Manual was prepared and translated into Hungarian for use in the country.¹³ Beginning in October 1994, 50 people from the Regional Training Centers (RTCs), CLCs, private training companies and employer representatives in Hungary were trained in the Quick Start methodology. Following that training, three pilot sites--poultry and duckling processing plants and a synthetic wood fiber processing plant--were selected, and Quick Start projects were implemented.

At the poultry plant, the CLC screened 230 people and selected 75 to begin the training program. Of the 75, 73 completed training, 61 were employed by the company, 2 found other employment, and 9 were found unsuitable for employment. At the duckling processing plant, 1,600 people were recruited by the CLC, and 540 were referred for training. Of the 540 people trained, 510 were employed. The wood fiber processing plant provided training for new workers and some existing staff. The CLC selected 25 people for training, and those completing the training were hired by the company. In addition, 58 of the company's employees received specialized training in marketing, business and computer skills.

¹² See: "A study of the custom fit training program," Salt Lake City: University of Utah Bureau of Economic and Business Research, March 1995.

¹³ Actually, two documents were developed: "Manual: Developing a Quick Start Project," and "Quick Start Training Programs for Hungary." Both documents were prepared by a consultant for the USDOL.

Because of Quick Start's ability to train 596 unemployed workers for jobs and strengthen the management skills of 58 others, the project was expanded countrywide. Between 1995 and 1998 the USDOL Rapid Response Project, in cooperation with the Ministry of Labor, implemented 32 Quick Start training projects among employers in Hungary



Quick Start Outcomes

Workers Trained, Jobs Created and Jobs Preserved. The 32 Quick Start projects successfully trained 2,345 workers, 99 percent of the 2,431 who enrolled. As a result, a total of 2,329 workers began new jobs, retained their jobs, or became self-employed. Under the USDOL-supported Quick Start program, 1,580 new jobs were created, 638 workers retained their jobs, and 111 became self-employed.

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Low Cost. In addition to the high placement rates, the Ministry of Education calculated that the Hungarian Quick Start projects cost much less--roughly 60,000 forints (less than \$300) per person-- than traditional adult training programs in that country.

Agricultural Training. Although Quick Start training is typically used in industrial settings, under the auspices of the Rapid Response project the Regional Training Centers in Hungary pioneered a rural area agricultural adaptation of Quick Start that resulted in self-employment. It called for the close involvement of municipal leaders, economic development actors and several area employers. Because of its success, the agricultural version—called AgroStart—received Phare support for a joint Hungarian-Romanian project implemented in cooperation with one of the Regional Vocational Training Centers.

Types of Skills Learned. The USDOL Quick Start training projects in Hungary taught workers such skills as poultry processing, CNC machining, lamp making, wood processing, rabbit breeding, food growing for commercial canning, transformer winding and fitting, transformer iron core placing, seamstress, melon grower, glass blower, cable mechanic, noodle processing, cutting machine operators, boiler fitters and installers, herb growers, office skills, gas supply service administration, glass and vial makers, glass painting, meat processing, and fine mechanical operations.

Sustainability

Because of the success of the Quick Start element of the Rapid Response Project's enterprise competitiveness component and the need for job creation/economic development models, in 1998 the Hungarian Ministry of Labor established a dedicated fund for customized training projects. One third of the funds come from the Ministry, one-third from the CLCs and one-third from employers for training projects involving over 50 people. The CLCs are expected to provide the primary funding for projects training less than 50 people. The Hungarian Quick Start central fund was set up with 50 million forints but was subsequently increased by an additional 12 million forints.

Under the Hungarian-supported Quick Start program, 2,854 people were employed or retained their jobs in 1998. In 1999 the Quick Start programs became eligible to receive support from a new Ministry of Economic Affairs economic development investment program tied to job creation and job retention. In addition, Quick Start programs are eligible for support from County Labor Centers, often in combination with employer contributions.

A final Quick Start seminar was held in May 1999 in partnership with the Ministries of Education, Economic Affairs and Social and Family Affairs. It highlighted several case studies and detailed the resources available under the new Economic Affairs Ministry investment program. All of the players--CLCs, RTCs, Employer Associations, and the Ministry--attended.

Although some reshuffling of Ministries has affected the components of the Adjustment Model, the USDOL Rapid Response Project has worked diligently to arrange interministerial meetings to ensure the future of the Quick Start program. At the conclusion of the Project it appeared that

the Quick Start program would continue to receive support from the County Labor Centers and may also be funded under the new economic development investment program.

Coordination among the USDOL Adjustment Model components

Before the Hungary Rapid Response Project ended on July 31, 1999, both the national government and local levels became committed to the USDOL Adjustment Model's rapid response worker adjustment, community economic renewal and enterprise competitiveness components.

As part of the institutionalization process, on July 29, 1999 four state secretaries from the Prime Minister's Office, the Ministry of Economic Affairs, the Ministry of Social and Family Affairs and the Ministry of Agriculture and Rural Development and the Rapid Response Project signed a cooperation agreement detailing how the ministries will coordinate resources to support these three components as well as achieve other economic and employment development goals. Under the agreement, an inter-ministerial LED committee set up in August 1998 by the U.S. Rapid Response Project will be transformed into a Committee of Rapid Response Specialists. The Ministry of Economic Affairs will take the lead coordination role.

Conclusions

Four major conclusions can be drawn from the Hungary Rapid Response Project:

1. The USDOL Adjustment Model can be used successfully in Central Europe to reduce the negative employment and social impacts caused by economic restructuring and privatization on workers, communities and enterprises.
2. Grassroots participatory adjustment components to achieve worker, community and enterprise development play an important but often overlooked part in the restructuring efforts of an economy in transition. They also contribute to democratization by empowering a wide range of citizens, businesses and civil organizations to work with local governments and to take an active role in local economic development. In doing so, they make local governments more effective and responsive.
3. The quality and expertise of the project's human resources, especially the on-site project manager, the cadre of IA specialists recruited and trained, and the international consultants who provide training and technical assistance are critical to the success of an adjustment project in a CEE country.
4. All three operational components of the adjustment model plus financial support are essential for successful worker, community and enterprise adjustment in CEE countries. The best results are achieved when the three components are implemented in an integrated and synergistic way.

Experience in Hungary demonstrated that a number of things are necessary to successfully implement the USDOL model and to achieve the best adjustment results.

- The sum is greater than its parts. Adjustment projects that systematically implement all three operational components and integrate them in a meaningful way are more likely to be successful in ameliorating the problems generated by economic restructuring and privatization.

Unfortunately, many people, including some officials in national governments and international donors, do not understand this point. While it is easier to design and administer several projects that try to implement the three components independently or use only one of the components, doing so causes a loss of synergy and coordination at community and enterprise levels and reduces the effectiveness and positive impact of each component.

The Hungary Rapid Response Project achieved less synergy among the components for a number of reasons: (1) the Quick Start element was initiated as a separate project and was not folded into the Rapid Response Project until midway through the latter project; (2) the Quick Start Project included ineffective management at the beginning; (3) the lack of a sustained Quick Start staff presence in Hungary to work with the Ministry on a day-to-day basis; and (4) the implementation of the CER component was delayed because the initial LED approach was unsuitable.

The IA specialists were not told at an early stage that they should be actively looking for opportunities to develop linkages between the QS element and the RR/RAC and CER components. Consequently, there was less opportunity to develop Quick Start and other enterprise competitiveness projects in concert with the implementation of CER workshops and RACs.

It should also be recognized that because not all CER areas need RACs or have Quick Start or other EC opportunities present, it can be difficult to find opportunities for Quick Start and the other adjustment components to work together. While most areas in Hungary did not fully achieve synergy among the three adjustment components, a few areas effectively used all three components of the model in a more or less integrated way.

- The success achieved in Hungary demonstrates the need for training materials that are designed for the specific needs of each project. The international training manuals and other materials obtained or developed for each adjustment component were well received and very helpful. Over time, some of them were reformatted or modified to fit the Hungarian situation. By the end of the project they had been fully “Hungarianized.”
- Successful implementation of the USDOL adjustment model requires:
 - (a) an experienced, technically competent, enthusiastic on-site project manager who understands all three adjustment components and can provide hands-on technical and administrative leadership;
 - (b) the support of a team of highly qualified international adjustment experts who are knowledgeable about the three adjustment components and can provide ongoing technical assistance and training during the project; and
 - (c) a competent, supportive local partner(s) and a cadre of well-trained and highly motivated IA specialists (local implementers and facilitators), preferably located in a

government agency (e.g., CLC or Employment Service, and Regional Training Centers), who are open to new ideas, willing to take some risks, and support reform.

The host agency must be willing to provide or recruit the staff needed to function as IA specialists and to give them the time and resources they need to implement new and innovative approaches to enterprise restructuring, worker adjustment and local economic development.

The Hungarian experience demonstrates the importance and value of housing the IA specialists in the government agency dealing with employment and training issues (CLCs). In some situations this may not be possible because the logical government agency (e.g., the employment service or labor offices) is incapable or unwilling to house and support the IA function and IA specialists. Therefore, it may be necessary to house them in another government agency willing to take on the industrial adjustment responsibility. In a few cases it may even be necessary to house IA functions and specialists in an NGO that has sufficient stability and financial resources to provide a viable home for them. However, because of the nature and extent of the adjustment needs in CEE countries it is doubtful that the IA function and the people who carry it out can become self-sustaining as part of an NGO once US project funds have been expended.

- The cadre of trained local or regional IA specialists (and their ministry or NGO superiors, as noted above) must take ownership of the adjustment process from the very beginning. Failure to do so is a prescription for failure. By the time the pilot implementation rounds are completed, the local IA specialists must view the three operational adjustment components as their own. They should be placed in charge of all local aspects of subsequent RAC and CER implementation, and be provided with the basic tools, training and technical assistance to do their work effectively.

Depending on foreign technical assistance to deliver round after round of CER workshops or to organize RACs long after the IA specialist training is completed does not build local capacity. In Hungary, the CLC Regional Employment Counselors fully assumed their role as IA specialists at an early stage and contributed significantly to the project's success.

- A continual process of sharing information and teambuilding through regular (at least quarterly) meetings and in-service training is essential to help the IA specialists increase their knowledge base, share ideas and begin functioning as a network. In Hungary, quarterly IA specialist meetings proved to be extremely important and useful.
- Local IA specialists and facilitators need opportunities to use the three components of the adjustment model over and over to help them achieve the necessary competence and confidence to be effective and successful in their work. During the project's life in Hungary, over 125 worker adjustment RAC, CER and EC programs were carried out, giving all cadres ample opportunities to learn and practice the concepts and processes in tandem with an international consultant and on their own.
- IA specialists need to share their experience with others in their offices and agencies to give visibility to the project, build support for it and prevent them from being isolated

within their own organizations. In Hungary, in-service training and dissemination workshops built support for the project throughout the CLC and RTC and MOL systems.

- Effective use of the media to publicize and gain support for an adjustment project is crucial. In Hungary, all types of media (TV, radio, newspaper, etc.) were used continuously and effectively to promote the adjustment components and to sell them to the public, politicians and bureaucrats. Local actors coordinated much of the press coverage.
- In addition to keeping the public informed about what the adjustment components are accomplishing, communication must be maintained with the Ministries that have a stake in the project. In Hungary, a continuous dialogue was maintained with the Ministries, and various Ministry officials participated in many of the training sessions, workshops or quarterly meetings to build support for and help institutionalize the project components at the national level.
- The adjustment project must recruit and train a cadre of IA specialists who are fully knowledgeable about the three components of the adjustment model and generate local versions of the training and other manuals based on their field experiences. The Hungary Rapid Response Project produced a cadre of competent people fully knowledgeable about the three components of the adjustment model. In addition, an array of technical materials and manuals were generated for Hungarian users. The American and international manuals have been replaced by Hungarian versions. In short, the trained staff, resources and institutional linkages are in place that should ensure the long-term sustainability of the USDOL efforts.
- The USDOL Adjustment Model that was implemented in Hungary is flexible and adaptable enough to be successfully used elsewhere. As a result of the success achieved in Hungary, the model is now being implemented in Bulgaria, Macedonia, Romania, and Poland.

All three operational parts of the model may be needed if one or more SOEs or major employers are closing or preparing for layoffs. During the pre-layoff phase, local actors can begin the CER process, a RAC can be established to assist the potential dislocated workers, and one or more EC elements—such as Quick Start training, training for partnership, and productivity improvement or cost reduction programs—may be able to save or create jobs in the restructuring SOEs or other local enterprises. In other situations the use of only one or two components of the model may be possible, or their order of implementation may be adjusted to meet the local situation.