

**THE ROLE OF JOB TRAINING IN EXPANDING EMPLOYMENT OPPORTUNITIES
AND INCREASING THE EARNINGS OF THE DISADVANTAGED**

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Since launching the War on Poverty in 1964, the Federal government has funded programs to provide training and jobs to economically disadvantaged individuals. While the national economy experienced rapid growth during the 1960s and early 1970s, the earnings of the disadvantaged rose and significant reductions in poverty occurred. Over the last twenty years, however, the labor market position and socio-economic status of the disadvantaged have sharply deteriorated. The employment and training programs in place during these recent decades have not been able to offset trends in the labor market which worsened the prospects of less-skilled and disadvantaged workers.

The purpose of the meeting that the Department of Labor is convening on July 20 is to explore ways that Federal resources for job training can be used more effectively to improve employment and earnings of the disadvantaged and alleviate poverty. This paper provides (1) an overview of the factors contributing to the worsening socio-economic position of the disadvantaged over the last twenty years; (2) a brief history of Federal job training efforts for the disadvantaged; (3) a description of the current programs under the Job Training Partnership Act; (4) a summary of the evidence on the effectiveness of various Federal employment and training efforts and demonstration projects; and (5) a discussion of alternative explanations for why job training has not been more effective in alleviating unemployment and poverty.

As a prelude to the discussion on July 20, the paper concludes by posing a series of questions concerning the Federal role in job training, to help identify the most strategic uses of Federal dollars to move the disadvantaged into jobs with earnings that offer a decent standard of living.

I. The Labor Market and the Disadvantaged

By almost any set of measures, the economic and social well-being of disadvantaged American youths and young adults--those with limited education or skills, from poor families and impoverished neighborhoods, and from minority backgrounds--deteriorated substantially over the last two decades. In a major departure from historic patterns, the real wages of the young and less-educated plummeted: in the early 1990s, the real hourly pay of recent male high school graduates was more than 20 percent below that of their counterparts twenty years earlier. Over the same period, the decline in pay received by young high school dropouts was even more extreme.

Increasingly, disadvantaged young men and young women are idle--not in school, not working, and not looking for work. Roughly 50 percent of out-of-school American youth (aged 16 to 24 years old) without a high school degree are currently not employed. And the proportion of young black high school dropouts who are currently not employed exceeds 70

percent. Many of these out-of-school youth are so persistently without work that they are at risk of becoming permanently lost to the legitimate economy.

The proportion of young men in trouble with the law has also increased dramatically. Almost 700,000 young men aged 16 to 34 were in prison in 1989. According to Richard Freeman's estimates, about half of 18 to 34 year old, black male, high school dropouts had criminal records during the late 1980s (Freeman, 1991).

Life for many of the disadvantaged is full of instability. Homicides, drug abuse, and the AIDS epidemic ravage their communities; marriage rates among the young are low. Even during the economic rebound of the late 1980s, the number of homeless families headed by young women grew. And the slumping economy of the early 1990s increased welfare dependency among the young.

This pervasive deterioration of economic and social well-being experienced by Americans from disadvantaged backgrounds is closely linked to economic changes which have limited the prospects for workers who lack education and skills and connections to the labor market. These labor market shifts have had the most pronounced adverse effects on disadvantaged young males. Real wages and employment rates have fallen among all groups of young, less-educated males in the past quarter of a century, but the declines have been steepest among young black males. The non-employment rate for 20 to 24 year old non-white males increased from 22 percent in 1964 to 42 percent in 1992. Many of these individuals are without work 52 weeks out of the year. And disadvantaged young men aren't the only ones with problems: young women, single mothers, recent immigrants, and displaced workers, among others, have also been confronted with a difficult low-wage labor market and fared poorly.

The forces responsible for these shifts include:

Skills mismatch. Relative demand for labor has shifted in favor of more-educated workers and those with problem-solving skills, while opportunities for blue collar workers and others who perform routine work contracted. These shifts are a major cause of rising wage inequality and increased educational wage differentials in the U.S. since the 1970s (Bound and Johnson, 1992; Freeman and Katz, 1993; Katz and Murphy, 1992; Levy and Murnane, 1992; and Murphy and Welch, 1992).

Gone forever are the days when high school dropouts or even high school graduates could expect to move directly into well-paying factory jobs that could last their entire careers. Now, workers' prospects for good jobs and advancement increasingly depend upon their ability to solve problems and work directly with customers in an expanding service economy. This relative demand shift reflects both long-term changes in the industrial composition of employment in the U.S. as well as changes in technology and in the organization of work which favor better-educated workers in virtually every sector of the economy.

Multiplier effects. As compared with the 1950s and 1960s, the U.S. economy has experienced much slower growth and correspondingly weaker aggregate labor markets throughout much of the last twenty years. These unfavorable macroeconomic conditions produce large adverse multipliers for the disadvantaged, constricting their access to entry-level jobs as well as opportunities for upward mobility.

Spatial mismatch. Disadvantaged residents of inner cities have been further hurt by declining opportunities for employment in the areas where they live. Lack of transportation, child care, and other barriers often prevent the disadvantaged from obtaining jobs in the suburbs where employment has been growing.

Breakdown of linkages to jobs for the inner-city poor. Besides the shift in demand for skills, the declining employment opportunities for the disadvantaged in manufacturing and traditional blue-collar jobs reflect the absence of effective hiring networks for disadvantaged young males, especially blacks. The contacts that help other young people connect with employers are scarce in impoverished neighborhoods, where relatives and other adults may lack jobs themselves. Creating or rebuilding networks to jobs is vital to improving hiring prospects for the disadvantaged, even if their skill levels are raised and the economy's growth is stronger.

The problem of missing networks is especially important for young black males given the rising fraction of this group with criminal records. Even those young black males without criminal records are further disadvantaged by the prevalence of criminal involvement, since employers are reluctant to give them a chance (Kirschenman and Neckerman, 1991).

Interpersonal skills. The shift in demand toward jobs requiring customer contact and other interpersonal skills may pose further hurdles for young disadvantaged workers. Even when they've acquired the technical skills for office work, disadvantaged applicants may be perceived by employers as lacking the right attitudes. Style of dress, use of street slang, and other indications of defiant behavior reinforce such impressions. As Ronald Mincy and Hillard Pouncy say, the "culture, codes, and demeanor of urban youth" make it difficult for employers to value and trust them, even if they have the required levels of skill and technical competence for the job (Mincy and Pouncy, 1994).

The downward spiral. Economic changes (especially labor demand shifts away from manufacturing and generally weak labor markets) may have started the downward cycle for disadvantaged youth, but the resultant joblessness has in turn contributed to a host of social changes in urban communities. These social problems --including increases in crime, violence, and drug abuse, the disappearance of "middle class" role models, and the breakup of the traditional family--have made the labor market problems in inner cities increasingly intractable. These patterns are not unique to U.S. urban areas: similar phenomena have been observed in industrially declining areas in Northern England and high-unemployment parts of Spain and Italy.

Adverse economic shocks have disrupted the family and community institutions that have traditionally enabled disadvantaged youth to respond to improvements in legitimate economic activities. Youths in areas of concentrated poverty lack information about job opportunities, and they lack the networks through which they can gain referrals to an employer from a trusted source.

Inner city youth may also have unrealistic reservation wages, because crime competes with legitimate labor market opportunities. In surveys of disadvantaged youth, Freeman and Katz found that the fraction of inner city youth in Boston who said they could earn more in the streets than in a legitimate job doubled--from 30 percent to 60 percent--between the late 1970s and the late 1980s, despite much tighter labor markets in Boston at the end of this period.

To sum up, a stronger economy, rapid private sector employment growth, and tighter labor markets are a necessary condition for improving the job prospects of disadvantaged individuals in America's inner cities. But the extent of the problems and the experience of the boom of the late 1980s suggest that economic growth by itself--unassisted by policies designed to deal specifically with the problems of high poverty areas--may not be sufficient to reverse recent trends (Blank and Card, 1993; Cutler and Katz, 1991).

Extremely tight labor markets in the late 1980s in places such as Boston and New Jersey temporarily improved employment prospects for disadvantaged workers, but did not reverse trends toward increasing violence, neighborhood disintegration, and persistent poverty. Not only did the periods of strong growth fail to make a substantial dent in these problems, the economic downturn in the Northeast at the start of the 1990s sent inner cities hurtling back on a vicious downward trajectory.

II. Brief History of Federal Job Training Efforts

When the federal government first became involved in employment programs during the Great Depression, the goals for these programs were mainly to get income into the hands of desperately poor families, to pump money into the economy, and to give able-bodied youth and adults something useful to do. These 1930s programs emphasized public employment rather than job training.

The depression-era Civilian Conservation Corps, Works Progress Administration, and National Youth Administration programs were very large initiatives--taking up perhaps ten times as much of GNP and federal spending as today's federal job training efforts. Combined, the New Deal work relief programs employed about 4 million people a year out of a total population of less than 130 million. This would be the equivalent of employing 8 million people today in public service employment. The WPA's \$1.36 billion annual budget made up over 10 percent of the federal government's budget and over 1 percent of the

country's GNP. An equivalent expenditure relative to GNP today would amount to a work program costing more than \$60 billion a year.

The federal government again became involved in employment and training programs in 1962 with the passage of the Manpower Development and Training Act (MDTA). Initially, the focus of MDTA was to provide retraining to dislocated workers. When President Johnson started the War on Poverty in 1964, the focus of federal job training programs shifted to serving the economically disadvantaged. Both the Job Corps and the Neighborhood Youth Corps were part of the original package of War on Poverty programs. The Job Corps continues pretty much in its same form to this day. The Neighborhood Youth Corps' summer component is still basically the same program, but now is called the Summer Youth Employment Program; its year-round in-school and out-of-school components have evolved with less emphasis on work experience into the current JTPA Title II-C program.

While job training programs in the 1960s included work experience programs for youth, it was not until 1971--during the Nixon Administration in a recession year--that public service employment (PSE) programs for adults were introduced. Initially, the PSE program was funded at \$1 billion a year, providing employment for about 175,000 persons. Also during the Nixon administration, federal job training programs were consolidated and decentralized under the Comprehensive Employment and Training Act (CETA).

Modern-day funding for employment and training programs peaked during the Carter Administration. In FY 1979, \$9.4 billion was spent on federal employment and training programs, including over \$5 billion on PSE programs. The equivalent expenditure today would be \$20 billion overall, and \$10 billion on PSE. In the spring of 1978, PSE enrollment reached its highest level at 750,000.

Also during the Carter Administration, Congress passed the Youth Employment Demonstration Projects Act (YEDPA). YEDPA substantially expanded the Job Corps; increased funding for the summer youth employment program; and added four new programs--a general youth employment and training program, a young adult conservation corps, youth community improvement projects, and the Entitlement demonstration guaranteeing a job to inner-city youth who agreed to stay in school or return to school. YEDPA also included funding of almost \$80 million a year over five years for youth demonstration projects.

Because of budgetary pressures, proposals to curtail PSE and many of the youth programs started under YEDPA emerged at the end of the Carter Administration. The Reagan Administration followed through and sought to terminate these programs. In 1982, The Job Training Partnership Act (JTPA) was passed, a compromise between Democrats who wanted to keep job training alive and Republicans intent on attacking CETA (and the PSE component in particular). JTPA was designed in large part as a reaction to CETA. Funding was much lower; PSE was prohibited; stipends and supportive services were sharply curtailed; and the private sector was given a primary role in each locality.

III. Current Programs for the Disadvantaged Under the Job Training Partnership Act

The Job Training Partnership Act authorizes the largest federal program aimed at providing job training to the disadvantaged. Funds are allocated by formula to local areas, which in turn design and operate local job training programs. Typically, localities distribute the funds to community colleges, public school systems, vocational schools and community-based organizations which offer training programs--as well as to private employers for on-the-job training slots.

JTPA's design is based upon: 1) local decision-making; 2) a strong role for the private sector; 3) a system driven by performance rather than by process; and 4) an emphasis on job training rather than income support, public service employment, or work experience.

In JTPA's decentralized system for providing training, every geographic area in the country is part of a service delivery area (SDA), which is usually a city, county, or consortium of counties. There are currently about 640 SDAs, each containing a private industry council (PIC) which acts as a board of directors. The Federal government and the states share oversight responsibilities, but local areas make most of the decisions about who will be served and what types of training will be provided.

Characteristics of Participants. Table I lists demographic and other background characteristics of adult and youth participants in JTPA programs during the 1992 program year. By law, 90 percent of the participants must be economically-disadvantaged. Further, a fairly large proportion of JTPA enrollees are AFDC recipients--30 percent of adults and 25 percent of youth.

In adult programs, 60 percent of the enrollees are women--exactly proportional to the number of persons in the eligible population who are women, reflecting the higher rates of poverty of women in this country. In youth programs, 53 percent of the enrollees are women. JTPA serves a higher proportion of blacks, a lower proportion of whites, and an equivalent proportion of Hispanics, relative to the distribution of each of these groups in the poverty population. Participants--even in the adult programs--tend to be relatively young: 42 percent of the adult participants are under 30 years old, while only 3 percent are as old as 55.

Roughly one fourth of the adult and the youth program participants are high school dropouts, and over one third of the youth are not able to read at the 7th grade level. Prior to participating, 31 percent of the adults and 55 percent of the youth had no significant work experience.

Table 1
Characteristics of JTPA Participants

	Adults	Youth
Gender		
Male	40 %	47 %
Female	60	53
Race/Ethnicity		
White (Non-Hispanic)	52 %	48 %
Black (Non-Hispanic)	30	37
Hispanic	15	12
Other	4	4
Age at Entry		
Less than 18	-	51 %
18 to 21	-	48
22 to 29	42 %	-
30 to 54	56	-
55 and older	3	-
Percent AFDC Recipients	30 %	25 %
Lacks Significant Work History Prior to JTPA Entry	31 %	55 %
Percent Reading Below 7th Grade Level	18 %	34 %
Education Attainment		
School Dropout	24 %	25 %
Student (HS or Less)	1	53
High School Graduate or More	76	22
Percent Single Heads of Household	35	11

Enrollment and Funding Levels. Altogether, JTPA's adult and youth programs serve about 750,000 persons a year. About 510,000 graduate annually: 260,000 in the adult programs under Title IIA, as well as 62,000 out-of-school youth and 180,000 in-school youth under the Title II-C year-round youth programs. (Title II-B authorizes the summer youth employment program). The adult programs thus serve under 2 percent of the eligible population, while the youth programs reach about 5 percent of eligible 16 to 21 year-olds in a given year.

JTPA Title II-A adult programs received funding of \$990 million in 1992. Title II-C youth programs were funded at \$660 million while the Job Corps received \$920 million. The Job Corps program enrolled 60,000 youth in 1992. Because the residential Job Corps program offers much more intensive education, training, and support services to a very disadvantaged group of participants, it serves about one-fourth the number of participants as youth programs under Title II-C.

As compared with predecessor programs under CETA, JTPA funding levels are much lower. In real terms, JTPA's budget is about one sixth of what CETA received at its height of activity. A large share of CETA's resources was devoted to public service employment, which is prohibited under JTPA.

JTPA Services. Among adult participants, 46 percent received classroom training as their primary service; 19 percent received job search assistance as the primary treatment; 18 received on-the-job training; 3 received work experience; and 11 percent primarily received other, less intensive services.

The most common occupations for which training was provided include stenography, typing, and filing; computer and account record-keeping; personal services; food and beverage preparation and services, and allied health. The average length-of-time in the program for adults is six and a half months. The average cost per adult trainee is about \$3,100.

Among youth participants, 42 percent received classroom training as their primary service; 11 received work experience; 10 percent, on-the-job training; 8 percent, job search assistance; and 28 percent, other services. The average length of participation for youth is over 7 months, and the average cost per enrollee is about \$2,500.

Out-of-school youth are more likely to get vocational classroom training, work experience, or on-the-job training. In-school youth are more likely to get career awareness training, remedial basic education, and classes orienting them to the world of work.

Performance Measures. JTPA is a performance-driven system in that 5 percent of funds are set aside for awards to SDAs that meet or exceed performance standards. Further, SDAs that consistently fail to meet performance standards can be subject to reorganization.

Performance standards for adult programs measure such outcomes as the rate of employment and earnings 13 weeks after leaving the program. Standards for youth measure outcomes such as the rate of obtaining employment and/or education, enhanced training, or skill attainment.

Thirteen weeks after leaving the program, 61 percent of adults were working with earnings that averaged \$246 in program year 1992. Among youth participants, 46 percent entered jobs. The overall positive termination rate for youth was 76 percent, indicating that over three fourths of these enrollees either got jobs, returned to school or remained in school, completed a major level of education, or entered another training program.

IV. Training and Employment Services for the Disadvantaged: Evidence of Effectiveness

An accompanying paper provides a fuller discussion of what is known about the impacts of Federal employment and training programs on the employment, earnings, and educational achievement of participants. This section will very briefly summarize the evidence and lessons learned from the evaluation literature about which programs and approaches are working and which are not.

First Jobs for Youth Under 21. It has proven difficult to improve the labor market prospects of youth who drop out of high school. Interventions aimed at reducing the number of dropouts are critical, and the research on dropout prevention efforts indicates that such programs can and often work well. However, the record is a mixed one, as it has been difficult to operate effective programs. Many programs, such as the Partnership Academies in California and demonstration programs in various states evaluated by the Department of Education, have increased high school graduation rates, but many others have not. Programs have had more success in increasing scholastic achievement than in keeping students in school.

Programs offering relatively short-term skills training (lasting 3 to 6 months) provided to disadvantaged youth under CETA and JTPA programs have not succeeded in raising youth employment or earnings. (These negative findings precede the JTPA reforms enacted in 1992).

The Job Corps program, in contrast, which offers intensive services in a residential setting with an average length-of-stay of seven and a half months, has shown marked success in improving the future earnings of participants. A re-evaluation of the Job Corps is now underway but according to a study completed in 1982, the very disadvantaged participants of the Job Corps experienced an average annual earnings increase of 15 percent (or around \$1,000) over a four-year follow-up period. Participants also committed fewer serious crimes. Although Job Corps costs four to five times as much as training provided under JTPA Title II, the program's benefits are estimated to be about 45 percent greater than its costs.

The JOBSTART demonstration tested various approaches to short-term, moderately expensive training for youth at 13 different sites. At only one site--the San Jose Center for Employment and Training (CET)--did participants fare better than the control group, but the results there were very impressive. Annual earnings for participants improved by over \$3,000. The CET example--which emphasizes the integration of basic academic instruction and vocational skills training--suggests that short-term training for youth can work if geared to the needs of the local labor market.

In the Supported Work demonstration, subsidized work experience did not raise the subsequent earnings of disadvantaged, out-of-school youth. The Entitlement demonstration, which guaranteed a job to inner-city youth who agreed to stay in school or return to school, dramatically increased the employment levels of eligible youth--suggesting that the employment problems of disadvantaged youth are not due to an unwillingness to work. The program had some positive post-program impact on earnings, but no effect on school retention or graduation rates.

Job search assistance may produce short-term benefits for disadvantaged youth, but the evidence is mixed. While several relatively intensive and expensive job placement programs resulted in significant short-term earnings gains for youth, the average youth participant in job search assistance did not experience any such gain.

Evidence from the Gautreaux program in Chicago indicates that residential location can have a substantial effect on education and employment outcomes for youth. Through the program, poor black families, most of them on welfare, were given the opportunity to move from inner-city neighborhoods to predominately white middle class communities in the Chicago suburbs. A group of families who had the opportunity to move was compared to a similar group which had been given the chance to move to other parts of the central city. Seven years after these moves occurred, youth who had moved to the suburbs had far higher rates of high school graduation and college enrollment than those who had stayed in the city. The suburban youth also had much higher employment rates and wages.

Disadvantaged Adults. A number of training and job search assistance programs for disadvantaged adults have achieved significant improvements in earnings, especially for women. Although this training is typically short-term, the results for adults contrast sharply to the disappointing impacts observed for youth. CETA training programs produced significant earnings gains only for women participants, while the programs under JTPA Title II-A succeeded in improving earnings for both men and women.

The large-scale experimental evaluation of JTPA found that disadvantaged adult participants earned an average of \$940 more than controls during the second year after leaving the program. This represented an increase of 10 percent for men and 15 percent for women as compared with what they would otherwise have earned. The impacts of the program varied according to the type of services provided: generally, short-term classroom

training was the least successful, and a combination of on-the-job training and job search assistance produced the best results.

These earnings gains substantially exceeded the amounts invested to produce them. JTPA services for adults produced social benefits about 50 percent greater than their costs within a period of 30 months after enrollment.

Several studies have examined the impact of receipt of the General Equivalency Diploma (GED), the major basic education credential that adults can seek. Although the evidence is not yet conclusive, the emerging consensus is that GED recipients, when compared with high school dropouts, experience few gains in employment or earnings due to the GED credential alone. However, obtaining a GED does tend to have a modest positive impact on the pursuit of post-secondary training--and this further training does produce some small earnings gains.

V. The Role of Job Training Programs

As discussed at the outset of this paper, job training programs have not been able to offset trends in the labor market which have worsened the position of less-skilled and disadvantaged workers. Evaluations suggest that job training has helped some individuals, and conditions of the poor might have been worse without the programs. Still, after 30 years of investments in job training, poverty and unemployment remain entrenched in inner cities, the rural South, Appalachia, and Indian reservations.

There are a number of alternative explanations for why job training has not been more effective in alleviating unemployment and poverty:

1. The money allocated to these programs each year is so small that it cannot reverse the negative labor market trends confronting the disadvantaged.
2. The job training programs we have funded are not intensive enough to make a difference.
3. We have served the wrong people, or have spread our resources too thinly to make a difference.

Money Allocated to Job Training. Including funds for JTPA Title II, the Job Corps program, and the Employment Service, the Department of Labor currently spends roughly \$4.5 billion a year on employment and training programs that serve the poor. This sum is quite small relative to the population in need. There are 25 million persons in the U.S. between the ages of 16 and 55 eligible for federal job training programs targeted specifically

at the poor, and each year we serve about 700,000 (3 percent) of them in year-round training programs.

Still, over time, these numbers can add up. For example, each year the Job Corps serves roughly 60,000 new enrollees, 80 percent of whom are high school dropouts. This represents only 4 percent of the 1.2 million economically disadvantaged high school dropouts in the 16 to 21 age range, but over a six-year period the Job Corps can serve about one-fourth of this eligible population.

Intensity of Job Training Provided. For adults, the best programs have a positive impact on earnings of about \$1,000 a year on participants. These \$1,000 a year gains tend to make the programs cost-effective, but the question remains whether such an impact makes a qualitative difference in the person's life. While it is true that these represent average impacts and that some individuals do experience quantum differences in earnings, probably only a modest proportion obtain such large impacts. Moreover, follow-up studies of five or more years suggest that even these \$1,000 a year earnings gains tend to decay over time. Random-assignment studies also indicate that employment impacts become minimal after about five years.

The results for youth in random-assignment evaluations of job training programs are very disappointing. There have been four major random-assignment studies of youth job training programs--Supported Work, the Summer Training and Education Program, JOBSTART, and the National JTPA Study--and all four have had discouraging results.

One hypothesis from the collective results of these adult and youth studies is that we need to move towards more intensive programs. We have never tested a truly intensive intervention. (Although a random assignment evaluation of the Job Corps program is in progress, results will not be available for several years). If it is correct that we need to have more intensive programs, the question then becomes how intensive they must be. Interventions might also be more effective if begun at younger ages.

One place in which there is a large differential between participants and controls is during the in-program period of a work experience intervention. In the Supported Work demonstration, 73 percent of persons assigned to the participant group were employed (mainly by the program) 12 months after entry, as compared to 30 percent of the control group. If people could remain in subsidized employment for longer periods of time, we might observe sustained positive effects.

Served the Wrong People, Spread Resources Too Thinly. While whites make up roughly half of the overall poverty population, they are most likely to be transitionally poor. Minorities dominate the ranks of the long-term poor. In the PSID longitudinal sample, almost 90 percent of the children who were poor ten or more years of their childhood were from minority groups (Duncan and Rogers, 1984).

The great majority of the poor live outside concentrated areas of poverty, but poverty is most severe and most likely to be long term in poor inner-city neighborhoods and pockets of rural poverty. In inner-city poverty areas, large proportions of minority youth are high school dropouts. The employment-population ratio for black, male, high school dropouts ages 16 to 24 in cities such as Boston, Chicago, and Philadelphia has been shown to be less than 40 percent (Freeman and Holzer, 1986).

Also in considering how to target job training, it is striking to look at the links between dropping out of high school and subsequent unemployment and crime. Among out-of-school males ages 16 to 24, high school dropouts have almost twice the unemployment rate as high school graduates who did not go on to college. Three quarters of all black male prison inmates are high school dropouts (Freeman, 1991).

These various figures taken together would suggest targeting job training on minorities, inner-city neighborhoods, and high school dropouts. As it is, funding for JTPA programs is spread across a wide variety of target groups. In the adult program, 52 percent of enrollees are white, and three-quarters are high school graduates. In the youth program, 48 percent of enrollees are white; half of enrollees are still in school; and out-of-school enrollees are evenly split between dropouts and graduates.

Another approach to targeting is to concentrate resources on communities rather than on individuals. Particularly given the significance of peer pressure for youth, the ability to reach virtually every youth in an impoverished neighborhood and address their multiple needs may achieve greater results than programs aimed at individuals.

As part of the crime bill, the Clinton Administration has proposed the Youth Employment and Skills (YES) and Ounce of Prevention programs. These initiatives, which may be funded this year, will saturate distressed, high-crime, high-poverty areas (particularly areas with public housing) with coordinated, positive interventions to improve the life prospects of youths and young adults. Our approach would be to use the funds to create a coherent strategy of interventions that will follow youth from childhood through adolescence to entry into the labor market (up to their mid-20s, in some cases).

These initiatives will be designed to accomplish the following five goals:

- increase contacts with (e.g. mentors, coaches) for youth and increase duration of such contacts;
- increase positive activities in after-school and weekend hours;
- improve skills by increasing the availability of work-based learning activities;
- improve connections to jobs throughout the metropolitan area;

-- guarantee employment to those who play by the rules.

VI. Issues for Discussion

The role of job training in an overall strategy for improving employment and earnings prospects and alleviating poverty raises a number of issues:

- How can the federal funds currently allocated to job training--particularly the \$2.5 billion a year spent on non-residential year-round and summer programs--be used most strategically?
- Should we be targeting programs towards the long-term poor or groups that are closer to becoming job-ready and self-sufficient?
- Should resources be targeted on individuals or on concentrated areas of poverty or high unemployment? For example, should we move toward saturation models such as the Youth Entitlement Demonstration of the 1970s or the Youth Fair Chance program?
- Should available funds be used for intensive programs that serve a few, or less intensive programs that serve many?
- Should we aim for earlier interventions?
- Should the emphasis be on job training or subsidized employment? Should job training programs emphasize classroom training/GEDs or work-based learning?
- What is the role for wage subsidies and employment tax credits?
- Are there ways of building on the apparent success of the GI bill to develop a similar job training and education program for the disadvantaged?
- Do we need to improve the delivery system of job training programs? Do SDAs need to be broadened geographically to encompass metropolitan-wide labor markets?
- What are the best approaches we can pursue now, with existing resources and based on our current knowledge of what works, to maximize the success of our programs?
- Should we try to replicate programs that achieve success at individual sites (like CET)?

- How should we respond to the disappointing findings about youth programs? Is it preferable to experiment with a set of entirely new approaches and gain insight from the evaluations of such demonstration projects, or are there reforms of the current system that should be pursued?

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U.S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY
WASHINGTON, D.C.
20210

July 13, 1994

TO: Participants in July 20 Meeting on Employment
and Training Programs for the Disadvantaged

FROM: Mary Eccles *Mary Eccles*
Office of the Chief Economist

The packet of background materials for this meeting includes a paper titled "What's Working and What's Not: What We Know About Getting People New Skills and New Jobs." This paper is a draft and should not be quoted or circulated prior to its publication by the Department of Labor. Any comments you may have would be welcomed by the Office of the Chief Economist.

Thank you very much for your consideration.

ROUNDTABLE DISCUSSION

"The Role of Employment and Training Programs in Expanding Employment Opportunities and Increasing the Earnings of the Disadvantaged"

**Secretary's Conference Room, S2508
U.S. Department of Labor
200 Constitution Avenue, N.W.**

Wednesday, July 20, 1994

Agenda

- | | | |
|------------|---|-------------------------|
| 10:00 a.m. | Welcome and Introductions | Larry Katz
Doug Ross |
| 10:05 | Why employment and training programs have not had a greater impact on expanding employment opportunities in the U.S. over the past 30 years. | |
| 11:15 | How the \$2.5 billion currently available for job training programs could be used most strategically. More intensive programs? Earlier interventions? Targeted on which groups? Concentration on geographic areas of high poverty? | |
| 12:30 | Working Lunch: How to deal with the particular employment problems of inner-city minority males. Geographically concentrated programs? Job training or subsidized employment? | |
| 1:45 | In the long-term, if additional funds become available, what would be an appropriate overall strategy for improving the employment situation of the disadvantaged. What is the role of job training? Subsidized employment? Wage subsidies? Employment tax credits? Concentrated programs? Early Interventions? | |
| 3:00 | Adjourn | |

FOUR TARGET GROUPS INCLUDED IN ANALYSIS

Target group	Program	FY'94 proposed funding (in millions)
Economically Disadvantaged	JTPA IIA Training Services for the Disadvantaged-Adult	\$ 793.1
	JTPA IIA State Education Programs	82.4
	JTPA IIA Incentive Grants	51.5
	Job Opportunities and Basic Skills Training	825.0
	Food Stamp Employment and Training	162.7
	Family Self-Sufficiency Program	.
	Vocational Education-Basic State Programs	717.5
	Educational Opportunity Centers	23.3
	Student Literacy Corps	6.1
	Subtotal	2,661.6
Older Workers	Senior Community Service Employment Program	421.1
	JTPA IIA Training Program for Older Individuals	51.5
	Foster Grandparent Program	66.4
	Senior Companion Program	29.2
	Subtotal	568.2
Youth	JTPA IIC Disadvantaged Youth	563.1
	JTPA IIC Disadvantaged Youth - Incentive Grants	34.3
	JTPA IIC Disadvantaged Youth - State Education Programs	54.9
	JTPA IIB Training Services for the Disadvantaged-Summer Youth Employment and Training Program (Regular)	1,688.8
	JTPA IIB Summer Youth Employment and Training Program (Native American)	b
	JTPA Job Corps	1,153.7
	Youth Fair Chance	25.0
	Transitional Living for Runaway and Homeless Youth	11.8
	Independent Living	16.2

Target group	Program	FY'94 proposed funding (in millions)
Youth (con't)	School Dropout Demonstration Assistance	37.7
	Vocational Education-Community Based Organizations	11.8
	Upward Bound	160.5
	Talent Search	67.0
	School to Work	135.0
	Federal Employment for Disadvantaged Youth-Summer	^c
	Youthbuild	88.0
	Subtotal	4,047.8
Dislocated Workers	JTPA EDWAA-Dislocated Workers (Local SDA Allotment)	229.5
	JTPA EDWAA-Dislocated Workers (Governor's 50% Discretionary)	229.5
	JTPA EDWAA-Dislocated Workers (Secretary's 20% Discretionary)	114.7
	JTPA Defense Conversion Adjustment Program	^d
	JTPA Clean Air Employment Transition Assistance	^e
	JTPA Defense Diversification	^f
	Trade Adjustment Assistance-Workers	215.0
	Vocational Education-Demonstration Centers for the Retraining of Dislocated Workers	^g
	Transition Assistance Program	66.8
	Subtotal	855.5
Total for Target Groups Analyzed		\$ 8,133.1

^aFamily Self-Sufficiency Program: job training, education, and support services are paid for by other programs such as JOBS and JTPA. Federal funds may be used to cover local administrative costs. For fiscal year 1993, appropriations for operating subsidies permit the payment of \$25.9 million to cover the administrative costs of operating the Family Self-Sufficiency program.

^bJTPA IIB Summer Youth Employment and Training Program (Native American): funding included in JTPA IIB (Regular) program total.

^cFederal Employment for Disadvantaged Youth-Summer: program coordinated by OPM, but carried out by numerous federal agencies. Obligations devoted to administration not separately identifiable.

^dJTPA Defense Conversion Adjustment Program: funds allocated in 1991 used to support programs in out years until funding is depleted.

^eJTPA Clean Air Employment Transition Assistance: funds allocated in 1993 used to support programs in out years until funding is depleted.

^fJTPA Defense Diversification: funds allocated in 1993 used to support programs in out years until funding is depleted.

^gData not available at this time.

**THE ROLE OF JOB TRAINING IN IMPROVING THE EMPLOYMENT
AND EARNINGS OF THE DISADVANTAGED**

**U.S. Department of Labor
Room S2508
Secretary's Conference Room
200 Constitution Ave., NW
Washington, D.C. 20210**

**July 20, 1994
10 a.m. - 3 p.m.**

LIST OF PARTICIPANTS

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Inter-University Program for Latino Research

Gary Burtless
The Brookings Institution

Paul Dimond
The White House

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Senate Labor and Human Resources Committee

Omer Waddles
House Education and Labor Committee

Jon Weintraub
House Education and Labor Committee

ROUNDTABLE DISCUSSION

"The Role of Employment and Training Programs in Expanding Employment Opportunities and Increasing the Earnings of the Disadvantaged"

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Richard Nathan |
| 3:00 p.m. | Adjourn | |

**MAJOR EMPLOYMENT AND TRAINING PROGRAMS
U.S. DEPARTMENT OF LABOR**

Program Description, Target Populations, Participants Served, and Funding Level (Budget Authority)

Program	Program Description and Target Populations	Participants Served	FY '94 Budget Authority (\$ millions)
1. JTPA Title IIA -- Economically Disadvantaged Adults/Youth	Formula block grants to States and Service Delivery Areas (SDAs) for assessment, training, placement and supportive services. Training services delivered in classroom or on the job. Economically disadvantaged adults 22 years of age or older. Sixty-five percent of participants must have at least additional one barrier to employment (e.g. ex-offender, welfare recipient). Ten percent of participants need not be non-economically if they have other barriers to employment.	959,614 in PY 1992 (Program Year began July 1, 1992 and ended June 30, 1993. Data includes youth and adults served, including under state set-asides).	988.0
2. JTPA Title IIB -- Summer Youth Employment Program	Formula block grants to States and SDAs to provide temporary summer jobs and academic enrichment (basic and remedial education) programs. Economically disadvantaged youth, ages 14 to 21.	625,000 for the Summer of 1993 (includes estimate for Native American set-aside)	888.3
3. JTPA Title IIC -- Economically Disadvantaged Youth (Year-round Program)	Formula block grants to States and SDAs to provide services to in- and out-of-school youth, in order to increase their educational and occupational skills, employment, earnings, long-term employability, reduce their welfare dependency and assist them in making a successful transition from school to work. Economically disadvantaged youth, ages 14 to 21. At least 65 percent of participants must have at least one additional barrier to employment (e.g. basic skills deficient, pregnant or parenting). At least half of the youth served must be out of school.	New JTPA Title enacted under the 1992 JTPA amendments. Data not yet available.	658.7
4. JTPA Title III -- Economic Dislocation and Worker Adjustment Assistance Act (EDWAA)	Formula block grants to States and Substate Grantees (SSGs) to provide rapid response, training, placement and supportive services. Program also provides discretionary awards to States, SSGs, employers, employer associations, and employee representatives for services to dislocated workers, for mass layoffs, industry-wide and multistate projects, special national or regional projects, or demonstration projects and to supplement State and substate program activities. Workers terminated or laid off, or have received notice of termination or lay-off or who are long-term unemployed.	311,876 in PY 1992	1,118.0

**MAJOR EMPLOYMENT AND TRAINING PROGRAMS
U.S. DEPARTMENT OF LABOR**

Program Description, Target Populations, Participants Served, and Funding Level (Budget Authority)

Program	Program Description and Target Populations	Participants Served	FY '94 Budget Authority (\$ millions)
5. JTPA Title III – Defense Conversion Adjustment Program (DCAP)	Grants to States, SSGs, employers, employer associations, and employee representatives to provide comprehensive and timely retraining and readjustment services, including classroom and on-the-job training, remedial education, entrepreneurial training, labor market information, job search, placement, supportive services, such as child care, transportation allowances, and relocation allowances. UI exhaustees in training may also receive needs related payments to complete training. Permanently dislocated workers displaced by reduced defense expenditures and conversion of former defense industries.	8,674 in PY 1992	Funds avail. in FY '94 - 56.8
6. JTPA Title III – Defense Diversification Program (DDP)	Provides grants for services similar to the Defense Conversion Program above. Permanently dislocated workers displaced by reduced defense expenditures and diversification of defense industries.	No projects were funded in PY 1992.	Funds avail. in FY '94 - 75.0
7. JTPA Title III – Clean Air Employment Transition Assistance Program (CAETA)	Grants to States, SSGs, employers and employer associations for services and similar to those under Defense Conversion. Participants are entitled to receive needs related payments to complete training, if UI benefits are exhausted. Workers permanently dislocated by the implementation of clean air and related environmental standards.	93 participants in 3 projects in operation by June 1993.	FY 1993 - 49.6 FY 1994 - 0.0
8. Trade Adjustment Assistance Act	Grants to States to provide 1) employment and training services, such as occupational information and counseling, on-the-job training, vocational or technical training and remedial education, as well as job search and relocation allowances and 2) cash assistance, a trade readjustment allowance (TRA), paid to eligible workers who are UI exhaustees, to complete a training program. Workers who are dislocated or underemployed as a result of increased imports. Workers must be members of a group that has been certified by DOL as eligible for TAA benefits based on a determination that increased imports contributed importantly to job loss or reduction. Certified workers must apply individually and be found eligible for program benefits.	In Fiscal Year (FY) 1992 – October 1, 1991 to September 30, 1992 – 18,582 participants entered training, 594 received job search assistance, and 751 received relocation allowances.	Benefits - 126.9 Training - 80.0 Total - 206.9

**MAJOR EMPLOYMENT AND TRAINING PROGRAMS
U.S. DEPARTMENT OF LABOR**

Program Description, Target Populations, Participants Served, and Funding Level (Budget Authority)

Program	Program Description and Target Populations	Participants Served	FY '94 Budget Authority (\$ millions)
9. NAFTA "bridge" program	Program services are similar to TAA above. Workers who are certified by DOL as eligible to receive benefits based on a determination that increased imports associated with implementation of the North American Free Trade Agreement (NAFTA) contributed importantly to job loss or reduction.	The program was recently enacted. Participant data is not yet available.	Benefits - 5.0 Training - 8.5 Total - 13.5
10. School-to-Work Opportunities Program	Grants to States and local partnerships for creating School-to-work systems which have common core components, including work-based learning, school-based learning and connecting activities, to help youth make a smooth and effective transition from school to a first job in a high-skill, high-wage career or to further education or training. Eleventh and twelve grade students attending public secondary schools and out-of-school youth.	Legislation enacted on April 21, 1994. No participants have been enrolled.	50.0
11. JTPA Title IVB -- Job Corps	Contracts with local providers to provide services to severely disadvantaged youth in a residential setting. Services include assessment, occupational exploration, world of work training, basic skills education, occupational skills training (either in classrooms or on-the-job), and work experience. Other activities and support services include: health care, meals, sports, counseling and support in group living, arts and crafts, student government, and incentive programs. Unemployed youth who are at least 16 but not yet 25 years of age and who have severely economically disadvantaged backgrounds. Participants are either high school dropouts, or if graduated, require additional education and training to hold meaningful employment.	100,926 youth in PY 1992. Of the total served, 39,164 were on board at the start of the year and 61,762 new students were enrolled.	1,040.5
12. JTPA -- Community Service Employment for Older Americans	Formula grants to national sponsor organizations and to States to provide and promote part-time work opportunities in community services activities for low income, older Americans. Low income (125 percent of the poverty level or less) persons age 55 or older.	98,066 in PY 1992.	410.5

**MAJOR EMPLOYMENT AND TRAINING PROGRAMS
U.S. DEPARTMENT OF LABOR**

Program Description, Target Populations, Participants Served, and Funding Level (Budget Authority)

Program	Program Description and Target Populations	Participants Served	FY '94 Budget Authority (\$ millions)
13. JTPA Title IVA -- Migrant and Seasonal Farmworkers	Grants to public or private non-profit organizations to assist migrant and seasonal farmworkers and their families by providing literacy and basic skills training (including English as a Second Language), occupational training (either in classrooms or on-the-job), work experience and supportive services. Migrant and seasonally-employed farmworkers and their dependents who have earned most of their income from farm work in 12 of the last 24 months, and whose income is below the Federal poverty standards.	48,630 in PY 1992.	85.6
14. JTPA Title IVA -- Native American Employment Program	Grants to Federally recognized Indian tribes, bands and other groups controlled by Native Americans to provide job training and supportive services to Indian and Native Americans. Services include assessment, job counseling, literacy and basic skills training, occupational training (either in classrooms or on-the-job), and other employment-related services to help participants prepare for and hold productive jobs. Members of state or federally recognized Indian tribes, bands and other individuals of Native American descent who are disadvantaged, unemployed or under-employed.	25,046 in PY 1992.	64.2
15. JTPA IVC - Veterans Employment Program	Grants to States for employment and training services, primarily through JTPA entities and non-profit providers. Services include assessment, classroom training and on-the-job training and job placement assistance for veterans described below. Recently separated veterans, disabled veterans, and Vietnam Era veterans.	6,549 in PY 1992.	9.0
16. Homeless Veterans Reintegration Projects (McKinney Act)	Grants to support flexible and innovative approaches that reach homeless, unemployed veterans, and assist them in obtaining permanent employment, needed social service benefits to which they are entitled, and permanent or transitional housing. Recently separated veterans, disabled veterans, Vietnam Era veterans, and other veterans who meet the McKinney Act definition for homeless veterans, i.e. those with active military service who were discharged or released under conditions other than dishonorable.	3,769 in FY 1992.	5.1

**MAJOR EMPLOYMENT AND TRAINING PROGRAMS
U.S. DEPARTMENT OF LABOR**

Program Description, Target Populations, Participants Served, and Funding Level (Budget Authority)

Program	Program Description and Target Populations	Participants Served	FY '94 Budget Authority (\$ millions)
17. Job Training for the Homeless Demonstration Program (McKinney Act)	Grants to local service providers for services to the homeless, focusing on employment skills, counseling, and job search techniques, skill training, on-the-job training, as well as remedial education. Typically, programs provide support services themselves, or through referral and coordination with other organizations; all provide housing referrals. Homeless persons, the majority of whom are between the ages of 22 and 34. Participants include persons with disabilities, families with children, Native Americans, and veterans. Also include are homeless persons with barriers to employment such as educational deficits, mental illness, or alcohol or other drug dependency.	Estimated number of participants for FY 1992 is 6,048.	7.5
18. Youth Fair Chance	Grants to local service providers in high poverty urban and rural communities to demonstrate that a sufficient number of positive interventions can increase the number of youth completing high school and moving successfully into higher education, thereby reducing arrest, substance abuse, unemployment and teen pregnancy. Youth age 14-21 living in high poverty urban and rural areas with no more than 25,000 residents.	In PY 1992, about 9,750 persons participated in the program.	25.0
19. Employment Service	Formula block grants to States to provide labor exchange services, including information on job vacancies, matching applicants to employers, referrals to job orders, and skill and career testing and assessment. Job Service offices also are responsible for administration of the Targeted Jobs Tax Credit, alien labor certification, agricultural recruitment for U.S. citizens, and migrant housing inspection. All U.S. citizens and resident aliens are eligible. However, employment matching services are to be targeted on the economically disadvantaged, hard-to-employ, disabled, veterans, and ex-offenders.	21,346,336 active applicants in PY 1992.	832.9 (State grants)
20. Disabled Veterans Outreach Program (DVOP)	Formula grants to States for dedicated staff in the Employment Service for outreach, case management for employment related services, including assessment, career counseling, referral to on-the-job and classroom training, and job placement assistance. All veterans are eligible, although disabled and Vietnam-era veterans are targeted.	954,000 served in PY 1992.	84.2

**MAJOR EMPLOYMENT AND TRAINING PROGRAMS
U.S. DEPARTMENT OF LABOR**

Program Description, Target Populations, Participants Served, and Funding Level (Budget Authority)

Program	Program Description and Target Populations	Participants Served	FY '94 Budget Authority (\$ millions)
21. Local Veterans Employment Representative (LVER) Program	Grants to States for dedicated staff in the Employment Service to provide assessment, career counseling, training referral and job placement services, as well as job development. All veterans.	821,000 served in PY 1992.	78.2
22. One-stop Career Centers	Competitive grants to States for the development of the One-stop Career Center system, to provide basic services such as expanded information on job vacancies, labor market trends, career options, local training providers and classes, performance of these providers, federal funds available to individuals for training, and how to look for a job. Would also provide assistance in filling out initial unemployment compensation claims and preliminary assessment of individuals' skill levels and service needs. All U.S. citizens and resident aliens are eligible. All groups will be targeted.	New program under demonstration authority. No participants enrolled yet.	50.0

**THE ROLE OF JOB TRAINING IN EXPANDING EMPLOYMENT OPPORTUNITIES
AND INCREASING THE EARNINGS OF THE DISADVANTAGED**

U.S. Department of Labor

July 1994

THE ROLE OF JOB TRAINING IN EXPANDING EMPLOYMENT OPPORTUNITIES AND INCREASING THE EARNINGS OF THE DISADVANTAGED

Since launching the War on Poverty in 1964, the Federal government has funded programs to provide training and jobs to economically disadvantaged individuals. While the national economy experienced rapid growth during the 1960s and early 1970s, the earnings of the disadvantaged rose and significant reductions in poverty occurred. Over the last twenty years, however, the labor market position and socio-economic status of the disadvantaged have sharply deteriorated. The employment and training programs in place during these recent decades have not been able to offset trends in the labor market which worsened the prospects of less-skilled and disadvantaged workers.

The purpose of the meeting that the Department of Labor is convening on July 20 is to explore ways that Federal resources for job training can be used more effectively to improve employment and earnings of the disadvantaged and alleviate poverty. This paper provides (1) an overview of the factors contributing to the worsening socio-economic position of the disadvantaged over the last twenty years; (2) a brief history of Federal job training efforts for the disadvantaged; (3) a description of the current programs under the Job Training Partnership Act; (4) a summary of the evidence on the effectiveness of various Federal employment and training efforts and demonstration projects; and (5) a discussion of alternative explanations for why job training has not been more effective in alleviating unemployment and poverty.

As a prelude to the discussion on July 20, the paper concludes by posing a series of questions concerning the Federal role in job training, to help identify the most strategic uses of Federal dollars to move the disadvantaged into jobs with earnings that offer a decent standard of living.

I. The Labor Market and the Disadvantaged

By almost any set of measures, the economic and social well-being of disadvantaged American youths and young adults--those with limited education or skills, from poor families and impoverished neighborhoods, and from minority backgrounds--deteriorated substantially over the last two decades. In a major departure from historic patterns, the real wages of the young and less-educated plummeted: in the early 1990s, the real hourly pay of recent male high school graduates was more than 20 percent below that of their counterparts twenty years earlier. Over the same period, the decline in pay received by young high school dropouts was even more extreme.

Increasingly, disadvantaged young men and young women are idle--not in school, not working, and not looking for work. Roughly 50 percent of out-of-school American youth (aged 16 to 24 years old) without a high school degree are currently not employed. And the proportion of young black high school dropouts who are currently not employed exceeds 70

percent. Many of these out-of-school youth are so persistently without work that they are at risk of becoming permanently lost to the legitimate economy.

The proportion of young men in trouble with the law has also increased dramatically. Almost 700,000 young men aged 16 to 34 were in prison in 1989. According to Richard Freeman's estimates, about half of 18 to 34 year old, black male, high school dropouts had criminal records during the late 1980s (Freeman, 1991).

Life for many of the disadvantaged is full of instability. Homicides, drug abuse, and the AIDS epidemic ravage their communities; marriage rates among the young are low. Even during the economic rebound of the late 1980s, the number of homeless families headed by young women grew. And the slumping economy of the early 1990s increased welfare dependency among the young.

This pervasive deterioration of economic and social well-being experienced by Americans from disadvantaged backgrounds is closely linked to economic changes which have limited the prospects for workers who lack education and skills and connections to the labor market. These labor market shifts have had the most pronounced adverse effects on disadvantaged young males. Real wages and employment rates have fallen among all groups of young, less-educated males in the past quarter of a century, but the declines have been steepest among young black males. The non-employment rate for 20 to 24 year old non-white males increased from 22 percent in 1964 to 42 percent in 1992. Many of these individuals are without work 52 weeks out of the year. And disadvantaged young men aren't the only ones with problems: young women, single mothers, recent immigrants, and displaced workers, among others, have also been confronted with a difficult low-wage labor market and fared poorly.

The forces responsible for these shifts include:

Skills mismatch. Relative demand for labor has shifted in favor of more-educated workers and those with problem-solving skills, while opportunities for blue collar workers and others who perform routine work contracted. These shifts are a major cause of rising wage inequality and increased educational wage differentials in the U.S. since the 1970s (Bound and Johnson, 1992; Freeman and Katz, 1993; Katz and Murphy, 1992; Levy and Murnane, 1992; and Murphy and Welch, 1992).

Gone forever are the days when high school dropouts or even high school graduates could expect to move directly into well-paying factory jobs that could last their entire careers. Now, workers' prospects for good jobs and advancement increasingly depend upon their ability to solve problems and work directly with customers in an expanding service economy. This relative demand shift reflects both long-term changes in the industrial composition of employment in the U.S. as well as changes in technology and in the organization of work which favor better-educated workers in virtually every sector of the economy.

Multiplier effects. As compared with the 1950s and 1960s, the U.S. economy has experienced much slower growth and correspondingly weaker aggregate labor markets throughout much of the last twenty years. These unfavorable macroeconomic conditions produce large adverse multipliers for the disadvantaged, constricting their access to entry-level jobs as well as opportunities for upward mobility.

Spatial mismatch. Disadvantaged residents of inner cities have been further hurt by declining opportunities for employment in the areas where they live. Lack of transportation, child care, and other barriers often prevent the disadvantaged from obtaining jobs in the suburbs where employment has been growing.

Breakdown of linkages to jobs for the inner-city poor. Besides the shift in demand for skills, the declining employment opportunities for the disadvantaged in manufacturing and traditional blue-collar jobs reflect the absence of effective hiring networks for disadvantaged young males, especially blacks. The contacts that help other young people connect with employers are scarce in impoverished neighborhoods, where relatives and other adults may lack jobs themselves. Creating or rebuilding networks to jobs is vital to improving hiring prospects for the disadvantaged, even if their skill levels are raised and the economy's growth is stronger.

The problem of missing networks is especially important for young black males given the rising fraction of this group with criminal records. Even those young black males without criminal records are further disadvantaged by the prevalence of criminal involvement, since employers are reluctant to give them a chance (Kirschenman and Neckerman, 1991).

Interpersonal skills. The shift in demand toward jobs requiring customer contact and other interpersonal skills may pose further hurdles for young disadvantaged workers. Even when they've acquired the technical skills for office work, disadvantaged applicants may be perceived by employers as lacking the right attitudes. Style of dress, use of street slang, and other indications of defiant behavior reinforce such impressions. As Ronald Mincy and Hillard Pouncy say, the "culture, codes, and demeanor of urban youth" make it difficult for employers to value and trust them, even if they have the required levels of skill and technical competence for the job (Mincy and Pouncy, 1994).

The downward spiral. Economic changes (especially labor demand shifts away from manufacturing and generally weak labor markets) may have started the downward cycle for disadvantaged youth, but the resultant joblessness has in turn contributed to a host of social changes in urban communities. These social problems --including increases in crime, violence, and drug abuse, the disappearance of "middle class" role models, and the breakup of the traditional family--have made the labor market problems in inner cities increasingly intractable. These patterns are not unique to U.S. urban areas: similar phenomena have been observed in industrially declining areas in Northern England and high-unemployment parts of Spain and Italy.

Adverse economic shocks have disrupted the family and community institutions that have traditionally enabled disadvantaged youth to respond to improvements in legitimate economic activities. Youths in areas of concentrated poverty lack information about job opportunities, and they lack the networks through which they can gain referrals to an employer from a trusted source.

Inner city youth may also have unrealistic reservation wages, because crime competes with legitimate labor market opportunities. In surveys of disadvantaged youth, Freeman and Katz found that the fraction of inner city youth in Boston who said they could earn more in the streets than in a legitimate job doubled--from 30 percent to 60 percent--between the late 1970s and the late 1980s, despite much tighter labor markets in Boston at the end of this period.

To sum up, a stronger economy, rapid private sector employment growth, and tighter labor markets are a necessary condition for improving the job prospects of disadvantaged individuals in America's inner cities. But the extent of the problems and the experience of the boom of the late 1980s suggest that economic growth by itself--unassisted by policies designed to deal specifically with the problems of high poverty areas--may not be sufficient to reverse recent trends (Blank and Card, 1993; Cutler and Katz, 1991).

Extremely tight labor markets in the late 1980s in places such as Boston and New Jersey temporarily improved employment prospects for disadvantaged workers, but did not reverse trends toward increasing violence, neighborhood disintegration, and persistent poverty. Not only did the periods of strong growth fail to make a substantial dent in these problems, the economic downturn in the Northeast at the start of the 1990s sent inner cities hurtling back on a vicious downward trajectory.

II. Brief History of Federal Job Training Efforts

When the federal government first became involved in employment programs during the Great Depression, the goals for these programs were mainly to get income into the hands of desperately poor families, to pump money into the economy, and to give able-bodied youth and adults something useful to do. These 1930s programs emphasized public employment rather than job training.

The depression-era Civilian Conservation Corps, Works Progress Administration, and National Youth Administration programs were very large initiatives--taking up perhaps ten times as much of GNP and federal spending as today's federal job training efforts. Combined, the New Deal work relief programs employed about 4 million people a year out of a total population of less than 130 million. This would be the equivalent of employing 8 million people today in public service employment. The WPA's \$1.36 billion annual budget made up over 10 percent of the federal government's budget and over 1 percent of the

country's GNP. An equivalent expenditure relative to GNP today would amount to a work program costing more than \$60 billion a year.

The federal government again became involved in employment and training programs in 1962 with the passage of the Manpower Development and Training Act (MDTA). Initially, the focus of MDTA was to provide retraining to dislocated workers. When President Johnson started the War on Poverty in 1964, the focus of federal job training programs shifted to serving the economically disadvantaged. Both the Job Corps and the Neighborhood Youth Corps were part of the original package of War on Poverty programs. The Job Corps continues pretty much in its same form to this day. The Neighborhood Youth Corps' summer component is still basically the same program, but now is called the Summer Youth Employment Program; its year-round in-school and out-of-school components have evolved with less emphasis on work experience into the current JTPA Title II-C program.

While job training programs in the 1960s included work experience programs for youth, it was not until 1971--during the Nixon Administration in a recession year--that public service employment (PSE) programs for adults were introduced. Initially, the PSE program was funded at \$1 billion a year, providing employment for about 175,000 persons. Also during the Nixon administration, federal job training programs were consolidated and decentralized under the Comprehensive Employment and Training Act (CETA).

Modern-day funding for employment and training programs peaked during the Carter Administration. In FY 1979, \$9.4 billion was spent on federal employment and training programs, including over \$5 billion on PSE programs. The equivalent expenditure today would be \$20 billion overall, and \$10 billion on PSE. In the spring of 1978, PSE enrollment reached its highest level at 750,000.

Also during the Carter Administration, Congress passed the Youth Employment Demonstration Projects Act (YEDPA). YEDPA substantially expanded the Job Corps; increased funding for the summer youth employment program; and added four new programs--a general youth employment and training program, a young adult conservation corps, youth community improvement projects, and the Entitlement demonstration guaranteeing a job to inner-city youth who agreed to stay in school or return to school. YEDPA also included funding of almost \$80 million a year over five years for youth demonstration projects.

Because of budgetary pressures, proposals to curtail PSE and many of the youth programs started under YEDPA emerged at the end of the Carter Administration. The Reagan Administration followed through and sought to terminate these programs. In 1982, The Job Training Partnership Act (JTPA) was passed, a compromise between Democrats who wanted to keep job training alive and Republicans intent on attacking CETA (and the PSE component in particular). JTPA was designed in large part as a reaction to CETA. Funding was much lower; PSE was prohibited; stipends and supportive services were sharply curtailed; and the private sector was given a primary role in each locality.

III. Current Programs for the Disadvantaged Under the Job Training Partnership Act

The Job Training Partnership Act authorizes the largest federal program aimed at providing job training to the disadvantaged. Funds are allocated by formula to local areas, which in turn design and operate local job training programs. Typically, localities distribute the funds to community colleges, public school systems, vocational schools and community-based organizations which offer training programs--as well as to private employers for on-the-job training slots.

JTPA's design is based upon: 1) local decision-making; 2) a strong role for the private sector; 3) a system driven by performance rather than by process; and 4) an emphasis on job training rather than income support, public service employment, or work experience.

In JTPA's decentralized system for providing training, every geographic area in the country is part of a service delivery area (SDA), which is usually a city, county, or consortium of counties. There are currently about 640 SDAs, each containing a private industry council (PIC) which acts as a board of directors. The Federal government and the states share oversight responsibilities, but local areas make most of the decisions about who will be served and what types of training will be provided.

Characteristics of Participants. Table I lists demographic and other background characteristics of adult and youth participants in JTPA programs during the 1992 program year. By law, 90 percent of the participants must be economically-disadvantaged. Further, a fairly large proportion of JTPA enrollees are AFDC recipients--30 percent of adults and 25 percent of youth.

In adult programs, 60 percent of the enrollees are women--exactly proportional to the number of persons in the eligible population who are women, reflecting the higher rates of poverty of women in this country. In youth programs, 53 percent of the enrollees are women. JTPA serves a higher proportion of blacks, a lower proportion of whites, and an equivalent proportion of Hispanics, relative to the distribution of each of these groups in the poverty population. Participants--even in the adult programs--tend to be relatively young: 42 percent of the adult participants are under 30 years old, while only 3 percent are as old as 55.

Roughly one fourth of the adult and the youth program participants are high school dropouts, and over one third of the youth are not able to read at the 7th grade level. Prior to participating, 31 percent of the adults and 55 percent of the youth had no significant work experience.

Table 1
Characteristics of JTPA Participants

	Adults	Youth
Gender		
Male	40 %	47 %
Female	60	53
Race/Ethnicity		
White (Non-Hispanic)	52 %	48 %
Black (Non-Hispanic)	30	37
Hispanic	15	12
Other	4	4
Age at Entry		
Less than 18	-	51 %
18 to 21	-	48
22 to 29	42 %	-
30 to 54	56	-
55 and older	3	-
Percent AFDC Recipients	30 %	25 %
Lacks Significant Work History Prior to JTPA Entry	31 %	55 %
Percent Reading Below 7th Grade Level	18 %	34 %
Education Attainment		
School Dropout	24 %	25 %
Student (HS or Less)	1	53
High School Graduate or More	76	22
Percent Single Heads of Household	35	11

Enrollment and Funding Levels. Altogether, JTPA's adult and youth programs serve about 750,000 persons a year. About 510,000 graduate annually: 260,000 in the adult programs under Title IIA, as well as 62,000 out-of-school youth and 180,000 in-school youth under the Title II-C year-round youth programs. (Title II-B authorizes the summer youth employment program). The adult programs thus serve under 2 percent of the eligible population, while the youth programs reach about 5 percent of eligible 16 to 21 year-olds in a given year.

JTPA Title II-A adult programs received funding of \$990 million in 1992. Title II-C youth programs were funded at \$660 million while the Job Corps received \$920 million. The Job Corps program enrolled 60,000 youth in 1992. Because the residential Job Corps program offers much more intensive education, training, and support services to a very disadvantaged group of participants, it serves about one-fourth the number of participants as youth programs under Title II-C.

As compared with predecessor programs under CETA, JTPA funding levels are much lower. In real terms, JTPA's budget is about one sixth of what CETA received at its height of activity. A large share of CETA's resources was devoted to public service employment, which is prohibited under JTPA.

JTPA Services. Among adult participants, 46 percent received classroom training as their primary service; 19 percent received job search assistance as the primary treatment; 18 received on-the-job training; 3 received work experience; and 11 percent primarily received other, less intensive services.

The most common occupations for which training was provided include stenography, typing, and filing; computer and account record-keeping; personal services; food and beverage preparation and services, and allied health. The average length-of-time in the program for adults is six and a half months. The average cost per adult trainee is about \$3,100.

Among youth participants, 42 percent received classroom training as their primary service; 11 received work experience; 10 percent, on-the-job training; 8 percent, job search assistance; and 28 percent, other services. The average length of participation for youth is over 7 months, and the average cost per enrollee is about \$2,500.

Out-of-school youth are more likely to get vocational classroom training, work experience, or on-the-job training. In-school youth are more likely to get career awareness training, remedial basic education, and classes orienting them to the world of work.

Performance Measures. JTPA is a performance-driven system in that 5 percent of funds are set aside for awards to SDAs that meet or exceed performance standards. Further, SDAs that consistently fail to meet performance standards can be subject to reorganization.

Performance standards for adult programs measure such outcomes as the rate of employment and earnings 13 weeks after leaving the program. Standards for youth measure outcomes such as the rate of obtaining employment and/or education, enhanced training, or skill attainment.

Thirteen weeks after leaving the program, 61 percent of adults were working with earnings that averaged \$246 in program year 1992. Among youth participants, 46 percent entered jobs. The overall positive termination rate for youth was 76 percent, indicating that over three fourths of these enrollees either got jobs, returned to school or remained in school, completed a major level of education, or entered another training program.

IV. Training and Employment Services for the Disadvantaged: Evidence of Effectiveness

An accompanying paper provides a fuller discussion of what is known about the impacts of Federal employment and training programs on the employment, earnings, and educational achievement of participants. This section will very briefly summarize the evidence and lessons learned from the evaluation literature about which programs and approaches are working and which are not.

First Jobs for Youth Under 21. It has proven difficult to improve the labor market prospects of youth who drop out of high school. Interventions aimed at reducing the number of dropouts are critical, and the research on dropout prevention efforts indicates that such programs can and often work well. However, the record is a mixed one, as it has been difficult to operate effective programs. Many programs, such as the Partnership Academies in California and demonstration programs in various states evaluated by the Department of Education, have increased high school graduation rates, but many others have not. Programs have had more success in increasing scholastic achievement than in keeping students in school.

Programs offering relatively short-term skills training (lasting 3 to 6 months) provided to disadvantaged youth under CETA and JTPA programs have not succeeded in raising youth employment or earnings. (These negative findings precede the JTPA reforms enacted in 1992).

The Job Corps program, in contrast, which offers intensive services in a residential setting with an average length-of-stay of seven and a half months, has shown marked success in improving the future earnings of participants. A re-evaluation of the Job Corps is now underway but according to a study completed in 1982, the very disadvantaged participants of the Job Corps experienced an average annual earnings increase of 15 percent (or around \$1,000) over a four-year follow-up period. Participants also committed fewer serious crimes. Although Job Corps costs four to five times as much as training provided under JTPA Title II, the program's benefits are estimated to be about 45 percent greater than its costs.

The JOBSTART demonstration tested various approaches to short-term, moderately expensive training for youth at 13 different sites. At only one site--the San Jose Center for Employment and Training (CET)--did participants fare better than the control group, but the results there were very impressive. Annual earnings for participants improved by over \$3,000. The CET example--which emphasizes the integration of basic academic instruction and vocational skills training--suggests that short-term training for youth can work if geared to the needs of the local labor market.

In the Supported Work demonstration, subsidized work experience did not raise the subsequent earnings of disadvantaged, out-of-school youth. The Entitlement demonstration, which guaranteed a job to inner-city youth who agreed to stay in school or return to school, dramatically increased the employment levels of eligible youth--suggesting that the employment problems of disadvantaged youth are not due to an unwillingness to work. The program had some positive post-program impact on earnings, but no effect on school retention or graduation rates.

Job search assistance may produce short-term benefits for disadvantaged youth, but the evidence is mixed. While several relatively intensive and expensive job placement programs resulted in significant short-term earnings gains for youth, the average youth participant in job search assistance did not experience any such gain.

Evidence from the Gautreaux program in Chicago indicates that residential location can have a substantial effect on education and employment outcomes for youth. Through the program, poor black families, most of them on welfare, were given the opportunity to move from inner-city neighborhoods to predominately white middle class communities in the Chicago suburbs. A group of families who had the opportunity to move was compared to a similar group which had been given the chance to move to other parts of the central city. Seven years after these moves occurred, youth who had moved to the suburbs had far higher rates of high school graduation and college enrollment than those who had stayed in the city. The suburban youth also had much higher employment rates and wages.

Disadvantaged Adults. A number of training and job search assistance programs for disadvantaged adults have achieved significant improvements in earnings, especially for women. Although this training is typically short-term, the results for adults contrast sharply to the disappointing impacts observed for youth. CETA training programs produced significant earnings gains only for women participants, while the programs under JTPA Title II-A succeeded in improving earnings for both men and women.

The large-scale experimental evaluation of JTPA found that disadvantaged adult participants earned an average of \$940 more than controls during the second year after leaving the program. This represented an increase of 10 percent for men and 15 percent for women as compared with what they would otherwise have earned. The impacts of the program varied according to the type of services provided: generally, short-term classroom

training was the least successful, and a combination of on-the-job training and job search assistance produced the best results.

These earnings gains substantially exceeded the amounts invested to produce them. JTPA services for adults produced social benefits about 50 percent greater than their costs within a period of 30 months after enrollment.

Several studies have examined the impact of receipt of the General Equivalency Diploma (GED), the major basic education credential that adults can seek. Although the evidence is not yet conclusive, the emerging consensus is that GED recipients, when compared with high school dropouts, experience few gains in employment or earnings due to the GED credential alone. However, obtaining a GED does tend to have a modest positive impact on the pursuit of post-secondary training--and this further training does produce some small earnings gains.

V. The Role of Job Training Programs

As discussed at the outset of this paper, job training programs have not been able to offset trends in the labor market which have worsened the position of less-skilled and disadvantaged workers. Evaluations suggest that job training has helped some individuals, and conditions of the poor might have been worse without the programs. Still, after 30 years of investments in job training, poverty and unemployment remain entrenched in inner cities, the rural South, Appalachia, and Indian reservations.

There are a number of alternative explanations for why job training has not been more effective in alleviating unemployment and poverty:

1. The money allocated to these programs each year is so small that it cannot reverse the negative labor market trends confronting the disadvantaged.
2. The job training programs we have funded are not intensive enough to make a difference.
3. We have served the wrong people, or have spread our resources too thinly to make a difference.

Money Allocated to Job Training. Including funds for JTPA Title II, the Job Corps program, and the Employment Service, the Department of Labor currently spends roughly \$4.5 billion a year on employment and training programs that serve the poor. This sum is quite small relative to the population in need. There are 25 million persons in the U.S. between the ages of 16 and 55 eligible for federal job training programs targeted specifically

at the poor, and each year we serve about 700,000 (3 percent) of them in year-round training programs.

Still, over time, these numbers can add up. For example, each year the Job Corps serves roughly 60,000 new enrollees, 80 percent of whom are high school dropouts. This represents only 4 percent of the 1.2 million economically disadvantaged high school dropouts in the 16 to 21 age range, but over a six-year period the Job Corps can serve about one-fourth of this eligible population.

Intensity of Job Training Provided. For adults, the best programs have a positive impact on earnings of about \$1,000 a year on participants. These \$1,000 a year gains tend to make the programs cost-effective, but the question remains whether such an impact makes a qualitative difference in the person's life. While it is true that these represent average impacts and that some individuals do experience quantum differences in earnings, probably only a modest proportion obtain such large impacts. Moreover, follow-up studies of five or more years suggest that even these \$1,000 a year earnings gains tend to decay over time. Random-assignment studies also indicate that employment impacts become minimal after about five years.

The results for youth in random-assignment evaluations of job training programs are very disappointing. There have been four major random-assignment studies of youth job training programs--Supported Work, the Summer Training and Education Program, JOBSTART, and the National JTPA Study--and all four have had discouraging results.

One hypothesis from the collective results of these adult and youth studies is that we need to move towards more intensive programs. We have never tested a truly intensive intervention. (Although a random assignment evaluation of the Job Corps program is in progress, results will not be available for several years). If it is correct that we need to have more intensive programs, the question then becomes how intensive they must be. Interventions might also be more effective if begun at younger ages.

One place in which there is a large differential between participants and controls is during the in-program period of a work experience intervention. In the Supported Work demonstration, 73 percent of persons assigned to the participant group were employed (mainly by the program) 12 months after entry, as compared to 30 percent of the control group. If people could remain in subsidized employment for longer periods of time, we might observe sustained positive effects.

Served the Wrong People, Spread Resources Too Thinly. While whites make up roughly half of the overall poverty population, they are most likely to be transitionally poor. Minorities dominate the ranks of the long-term poor. In the PSID longitudinal sample, almost 90 percent of the children who were poor ten or more years of their childhood were from minority groups (Duncan and Rogers, 1984).

The great majority of the poor live outside concentrated areas of poverty, but poverty is most severe and most likely to be long term in poor inner-city neighborhoods and pockets of rural poverty. In inner-city poverty areas, large proportions of minority youth are high school dropouts. The employment-population ratio for black, male, high school dropouts ages 16 to 24 in cities such as Boston, Chicago, and Philadelphia has been shown to be less than 40 percent (Freeman and Holzer, 1986).

Also in considering how to target job training, it is striking to look at the links between dropping out of high school and subsequent unemployment and crime. Among out-of-school males ages 16 to 24, high school dropouts have almost twice the unemployment rate as high school graduates who did not go on to college. Three quarters of all black male prison inmates are high school dropouts (Freeman, 1991).

These various figures taken together would suggest targeting job training on minorities, inner-city neighborhoods, and high school dropouts. As it is, funding for JTPA programs is spread across a wide variety of target groups. In the adult program, 52 percent of enrollees are white, and three-quarters are high school graduates. In the youth program, 48 percent of enrollees are white; half of enrollees are still in school; and out-of-school enrollees are evenly split between dropouts and graduates.

Another approach to targeting is to concentrate resources on communities rather than on individuals. Particularly given the significance of peer pressure for youth, the ability to reach virtually every youth in an impoverished neighborhood and address their multiple needs may achieve greater results than programs aimed at individuals.

As part of the crime bill, the Clinton Administration has proposed the Youth Employment and Skills (YES) and Ounce of Prevention programs. These initiatives, which may be funded this year, will saturate distressed, high-crime, high-poverty areas (particularly areas with public housing) with coordinated, positive interventions to improve the life prospects of youths and young adults. Our approach would be to use the funds to create a coherent strategy of interventions that will follow youth from childhood through adolescence to entry into the labor market (up to their mid-20s, in some cases).

These initiatives will be designed to accomplish the following five goals:

- increase contacts with (e.g. mentors, coaches) for youth and increase duration of such contacts;
- increase positive activities in after-school and weekend hours;
- improve skills by increasing the availability of work-based learning activities;
- improve connections to jobs throughout the metropolitan area;

-- guarantee employment to those who play by the rules.

VI. Issues for Discussion

The role of job training in an overall strategy for improving employment and earnings prospects and alleviating poverty raises a number of issues:

- How can the federal funds currently allocated to job training--particularly the \$2.5 billion a year spent on non-residential year-round and summer programs--be used most strategically?
- Should we be targeting programs towards the long-term poor or groups that are closer to becoming job-ready and self-sufficient?
- Should resources be targeted on individuals or on concentrated areas of poverty or high unemployment? For example, should we move toward saturation models such as the Youth Entitlement Demonstration of the 1970s or the Youth Fair Chance program?
- Should available funds be used for intensive programs that serve a few, or less intensive programs that serve many?
- Should we aim for earlier interventions?
- Should the emphasis be on job training or subsidized employment? Should job training programs emphasize classroom training/GEDs or work-based learning?
- What is the role for wage subsidies and employment tax credits?
- Are there ways of building on the apparent success of the GI bill to develop a similar job training and education program for the disadvantaged?
- Do we need to improve the delivery system of job training programs? Do SDAs need to be broadened geographically to encompass metropolitan-wide labor markets?
- What are the best approaches we can pursue now, with existing resources and based on our current knowledge of what works, to maximize the success of our programs?
- Should we try to replicate programs that achieve success at individuals sites (like CET)?

- How should we respond to the disappointing findings about youth programs? Is it preferable to experiment with a set of entirely new approaches and gain insight from the evaluations of such demonstration projects, or are there reforms of the current system that should be pursued?

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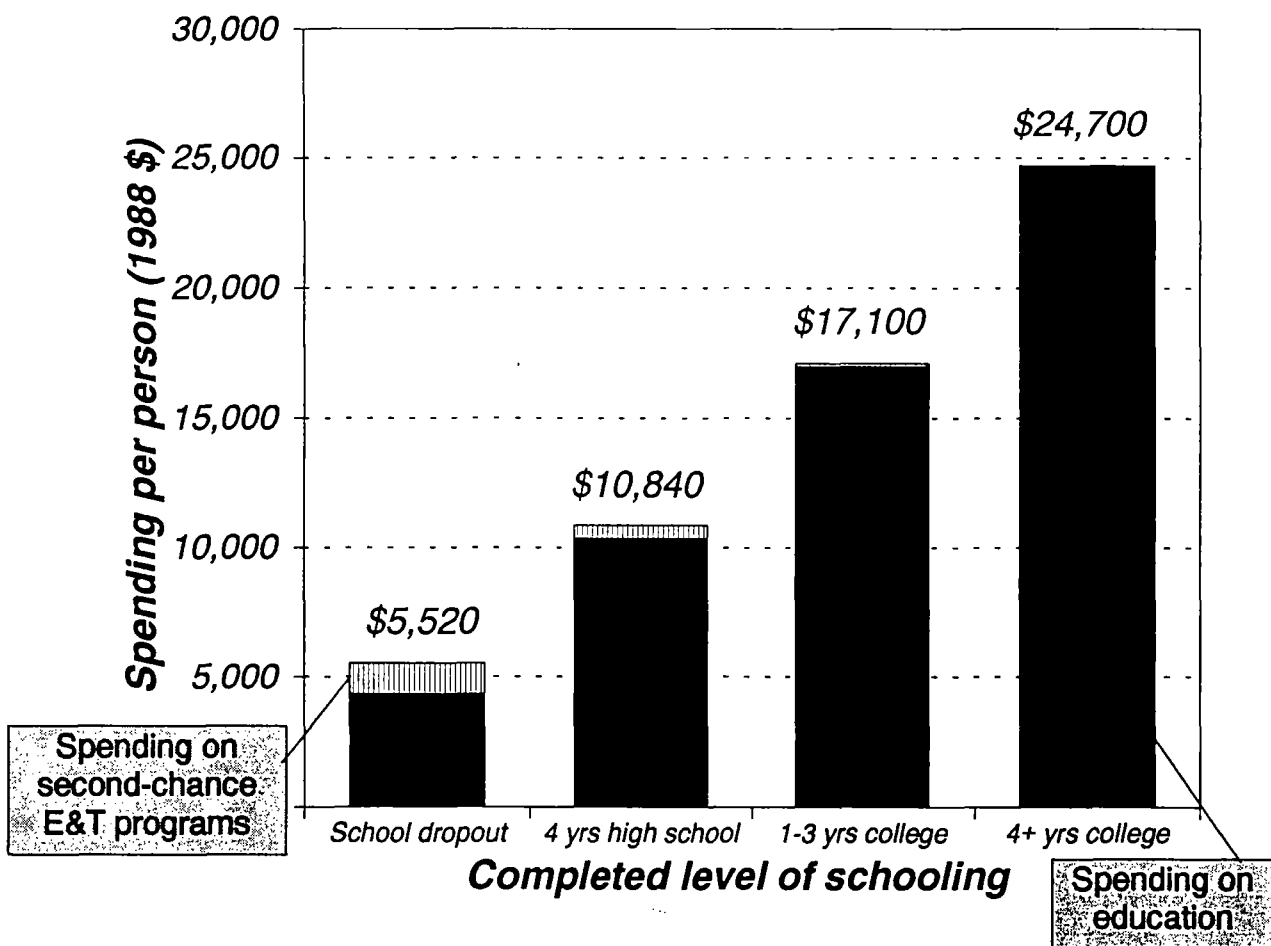
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Cumulative Public Spending per Person Aged 16-24 on Education and Training (Excl. Tax Subsidies to Firms)

Completed Level of Schooling	Total Cost	Cost of High School	Cost after High School
High School Dropout [*]	\$5,520	\$3,800	\$1,720
High School Graduate	\$10,840	\$9,500	\$1,340
Some College	\$17,100	\$9,500	\$7,600
College Graduate	\$24,700	\$9,500	\$15,200



Source: U.S. General Accounting Office, "Training Strategies: Preparing Noncollege Youth for Employment in the U.S. and Foreign Countries" (May 1990), p. 24.

BACKGROUND PAPER ON JTPA PROGRAMS FOR THE DISADVANTAGED

The Job Training Partnership Act (JTPA) is currently the largest federal program aimed at providing job training for the poor. The program provides funds on a formula basis to local areas, which in turn have wide discretion in designing and operating local job training programs. Typically, local areas distribute available funds to community colleges, public school systems, trade schools, and community-based organizations for various job training efforts, as well as to private employers for on-the-job training slots. JTPA was initially enacted in 1982, and major amendments were signed into law in September of 1992.

Over the last seven years, DOL has been conducting a major evaluation of JTPA adult and out-of-school youth programs. The study randomly assigned over 20,000 program applicants during the period from November 1987 to September 1989 to treatment and control groups. The 18-month follow-up results of the study were released by DOL in June of 1992, and we are now about to release the 30-month follow-up results of the study.

This paper reviews the experience of the JTPA program to date, with particular emphasis on the results of the JTPA evaluation. The paper includes sections on 1) the structure of the JTPA program; 2) the rationale for the 1992 Amendments; 3) the results of the JTPA evaluation; and 4) policy implications of job training evaluation results.

I. The Structure of JTPA

The JTPA program is the latest in a sequence of job training programs dating back to the Manpower Development Training Act (MDTA) of 1962. The design of JTPA reflects in part a continuing progression of these programs to provide more local autonomy and to increase private sector involvement. However, JTPA's design also reflects in large part a reaction to its predecessor program--the Comprehensive Employment and Training Act (CETA). To emphasize the break with CETA, Congress gave the private sector a central role in overseeing local programs, prohibited public service employment in JTPA, eliminated the requirement to pay allowances to enrollees, restricted the use of supportive services, and increased the responsibility of States. JTPA is also funded at a much lower level than CETA. In real terms, JTPA is funded at a level of about one-sixth of that spent on CETA in 1978 (although the bulk of CETA funding was for public service employment).

Congress designed JTPA based on the following principles: 1) local decision-making; 2) a strong role for the private sector; 3) a system driven by performance rather than by process; and 4) an emphasis on job training rather than income support, public service employment, or work experience. These basic principles have resulted in the following program features:

JTPA Structure

- o Training is provided in a decentralized system in which there is federal and State oversight, but in which most decisions on who to serve and types of training to be provided are made at the local level.
- o The design of JTPA attempts to reflect more private sector aspects than previous programs -- a greater role for the private sector in local decision-making, a larger role for private sector on-the-job training and proprietary trade schools, and performance standards which attempt to build "bottom line" incentives into a public program.
- o Each geographic area in the country is part of a service delivery area (SDA), which typically is a city, county, or consortium of counties. Currently, there are roughly 650 SDAs. JTPA funds are distributed on a formula basis to States and then to SDAs.
- o SDAs in turn most often contract out for job training programs and other services. Providers typically include community colleges, trade schools, local school systems, private employers (for OJT slots), and community based organizations--including local affiliates of such national organizations as La Raza, Opportunities Industrialization Centers (OIC), SER, and the Urban League.
- o Each SDA has a private industry council (PIC) which acts as a board of directors. The administrative entity of an SDA is usually a city or county government, or the PIC itself. The chief locally elected official has a lead role in selecting persons to serve on the PIC and in running the program.
- o While SDAs contract out for most job training services, many SDAs retain the recruitment and assessment functions for themselves. SDAs also typically work directly with private employers in operating their on-the-job training program. If assessment of participants is not conducted by the SDA, then the service provider must do it. The JTPA legislation requires that an individual service strategy and objective assessment be completed for each enrollee. The 1992 amendments made case management an authorized activity in JTPA.
- o The performance standards system is a distinguishing characteristic of JTPA. Perhaps more than any other federal program, JTPA is

performance driven. Performance standards measure such outcomes for adults as the rate of employment and earnings 13 weeks after leaving the program; and for youth, the rate of obtaining employment and/or education, enhanced training, or skill attainment at program completion. States vary national standards based on client characteristics and local labor market conditions. States also set policies governing how performance awards will be distributed in the state, and SDAs compete against each other for a fixed amount of performance dollars.

Federal, State and Local Roles

- o The federal role consists of setting policy and regulations, conducting fiscal and program oversight, designing performance standards, evaluation, technical assistance, and conducting pilots and demonstrations.
- o States are responsible for administrative and fiscal oversight; setting performance standards for SDAs in the State; providing technical assistance; distributing funds set aside for education coordination grants, older worker programs, and SDA incentive awards; and operating balance of State programs in rural areas.
- o SDAs, with guidance from PICs, design and administer JTPA programs in each local area. The roles of the SDA and PIC encompass a wide range of responsibilities, including setting recruitment and enrollment policies; making program design choices such as the types of services to provide and the length of those services; and making decisions about methods of providing services, including the choice of service providers, types of contracts, and contract terms.

Client Characteristics

- o Table 1 lists the characteristics of JTPA adult and youth enrollees. By law, 90 percent of the participants must be economically disadvantaged. In adult programs, roughly 60 percent of enrollees are women--this is exactly proportional to the number of persons in the eligible population who are women, reflecting the higher rates of poverty in this country of women. In youth programs, 52 percent of enrollees are female--a slight under-representation of their proportion in the eligible population.
- o In terms of age, job training programs have always had a focus on youth. Even in adult job training programs, persons served are mainly in their

twenties or thirties. Almost 85 percent of JTPA Title II adult participants are less than 45 years old.

- o In terms of race and ethnicity, JTPA serves a higher proportion of blacks, a lower proportion of whites, and an equal proportion of Hispanics relative to their distribution in the poverty population. This primarily reflects the fact that poverty is more severe and long-term among the black poor than the white or Hispanic poor.

Table 1
Characteristics of JTPA Participants

Program Year 1992 (July 1, 1982- June 30, 1983)

	Adults	Youth
Gender		
Male	40%	47%
Female	60	53
Race/Ethnicity		
White (Non-Hispanic)	52%	48%
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Hispanic	15	12
Other	4	4
Age at Entry		
Less than 18	-	51%
18 to 21	-	48
22 to 29	42%	-
30 to 54	56	-
55 and older	3	-
Percent AFDC Recipients	30%	25%
Lacks Significant Work History Prior to JTPA Entry	31%	55%
Percent Reading Below 7th Grade Level	18%	34%
Education Attainment		
School Dropout	24%	25%
Student (HS or Less)	1	53
High School Graduate or More	76	22
Percent Single Heads of Household	35	11

JTPA Services

- o Among adults, 46 percent of enrollees receive classroom training as their primary service; 19 percent receive job search assistance as the primary treatment; 18 percent receive on-the-job training; 3 percent receive work experience; and 11 percent primarily receive other, less intensive services.
- o Most common occupations of training are stenography, typing, and filing; computing and account record keeping; personal services; food and beverage preparation and services, and allied health. The average length-of-time in the program for adults is six and one-half months. The average cost per adult graduate is about \$3,100.
- o Thirteen weeks after leaving the program, 61 percent of adults are working with earnings that average \$246 per week.
- o Among youth, 42 percent of enrollees receive classroom training as their primary service; 11 percent receive work experience; 10 percent receive on-the-job training; 8 percent receive job search assistance; and 28 percent receive other services. The average length-of-time in the program for youth is over 7 months. The average cost per youth graduate is about \$2,500.
- o Out-of-school and in-school programs differ substantially. Out-of-school youth are more likely to get vocational classroom training, work experience, or OJT. In-school youth are more likely to get career awareness training, remedial basic education, and classes orienting them to the world of work.
- o The entered employment rate for youth is 46 percent, for that portion of youth who are in programs aimed at immediate employment. The overall positive termination rate for youth is 76 percent--that is, more than three-fourths of youth enrollees get a job, go on to further schooling, remain in school, return to school if a dropout, complete a major level of education, or enter another training program.

Funding and Enrollment Levels

- o JTPA Title II-A adult programs are funded at \$990 million a year, and Title II-C year-round youth programs are funded at \$660 million a year. In a given year, the adult and youth programs serve almost 750,000 persons, about 510,000 graduate annually--in Title II-A about 260,000 adults complete the program, and in Title II-C about 62,000 out-of-school youth ages 16 to 21 and 180,000 in-school youth are program completers.
- o With funding of \$920 million a year, the Job Corps is a larger program than JTPA Title II-C. Because Title II-C offers less intensive services, however, it serves nearly four times the number of youth each year as the Job Corps. Looking only at out-of-school youth, however, Title II-C serves about the same number of youth as the Job Corps.
- o A common observation about JTPA is that it serves such a negligible proportion of the eligible population--less than 2 percent of economically disadvantaged adults eligible for the program, and about 5 percent of economically disadvantaged youth ages 16 to 21. However, these numbers are somewhat deceptive. First, not all disadvantaged adults want or need job training, and many disadvantaged youth could better benefit from improved schools and increased opportunities for college. Second, over the years the numbers of people we serve represents a larger proportion of the eligible population than the percentage in any one year. For example, over five years, JTPA serves the equivalent of almost a third of the disadvantaged youth who drop out of school or graduate from high school and do not go on to college.

II. Rationale for the 1992 Amendments

From JTPA's inception, it was clear that PICs and performance standards were pushing the program towards providing low-cost services to eligible individuals with whom it could readily succeed. Incentive funds were granted to SDAs in direct proportion to the degree they exceeded their performance, and business persons on PICs viewed the success of their program in terms of the overall size of their incentive award. Key performance measures in place during that time were the entered employment rate, wage at placement, and cost per placement. All of these measures, especially the cost standard, encouraged short-term low-cost services to persons who were fairly employable.

An independent evaluation of JTPA's early implementation conducted by Grinker Associates emphasized that performance standards were distorting the goals of the program. Additionally, DOL's Office of Inspector General took a highly critical position with respect to JTPA. Over a series of reports, the OIG raised several issues relating to fiscal integrity in JTPA, abuses in the use of OJT contracts, and whether JTPA services were sufficient to have an impact on enrollees.

The General Accounting Office found the absence of targeting in JTPA at that time resulted in providing the highest skill training to the most job-ready. The GAO also found gender and race disparities in services provided, and that adult programs were under-serving high school dropouts relative to their share in the eligible population.

The Department of Labor pursued both administrative and legislative corrections to these weaknesses in JTPA. Administratively, DOL modified the performance standards governing the program to bring incentives more in line with the goals of the program. The cost standard was eliminated entirely from the incentive grant award to remove the impetus to provide low-cost services. Standards for post-program employment and earnings were substituted for adults to encourage higher quality services. DOL also put forward policy guidance to address the fiscal integrity issues raised by the OIG and to encourage the system to provide more intensive services to more at-risk individuals. Additionally, over a four-year period, DOL worked with the JTPA system and Congress to develop legislative changes in JTPA.

In 1988, DOL issued a white paper in the Federal Register requesting comments on how to improve the program. In that same year the Senate began a series of oversight hearings on Title II and suggestions for reform. DOL held hearings on the DOL white paper, and over 2,000 pages of comments were received. Also during that year, DOL convened a blue-ribbon advisory panel. The key recommendations of the panel were that JTPA be targeted towards a more at-risk population, that much more intensive interventions be provided, that youth programs be separated into a new title of their own, and that extensive coordination be undertaken with education, welfare, and other social service delivery agencies.

In 1989, DOL submitted to Congress a legislative proposal that incorporated the advisory panel's recommendations. Simultaneously, bills designed to reform JTPA were introduced in both houses of the Congress. Hearings were held through 1989 and 1990, and amendments passed both houses of Congress. However, the House and Senate failed to reach an agreement in conference committee, mainly due to a disagreement over the allocation formula.

These various attempts by DOL between 1986 and 1990 to improve the JTPA system did bring about some change, but the change was incremental. Between 1987 and 1990, the proportion of adult enrollees with at least one barrier to employment besides being poor increased from 40 percent of participants to 44 percent; the average length-of-stay increased by three weeks for adults and six weeks for youth; and the average cost per terminee in real dollars increased by two percent for adults and nine percent for youth.

In 1991 and 1992, the House and Senate again took up major revisions in JTPA, and amendments were passed with bipartisan support in 1992. Key features of the amendments are as follows:

1. **Targeting on most at-risk.** In addition to being economically disadvantaged, 65 percent of adults and youth must have an additional barrier to employment--basic skills deficient, high school dropout, welfare recipient, or another barrier specified by an SDA and approved by the State.
2. **Customer-centered services.** Provisions were added requiring that an assessment of needs and a service plan be developed for each enrollee; limits on supportive services and administrative costs were relaxed; basic and occupational skills training was mandated where an assessment found a need; and stand-alone job search assistance was prohibited.
3. **Separate title for youth.** A separate title for year-round youth programs was established, thus emphasizing the different needs of the youth and adult target populations. Further, 50 percent of youth served under this new title must be out-of-school.
4. **Fiscal integrity.** Various provisions were added to address the fiscal integrity issues raised by the OIG.
5. **Coordination.** Extensive coordination provisions were added, and a State Human Resources Investment Council was authorized.
6. **Youth Fair Chance Program.** A program was authorized which provides for community-wide projects in high-poverty urban neighborhoods and rural areas.

The amendments became effective as of July 1 of this year. DOL issued interim final regulations in December of 1992, and is still in the process of issuing final regulations regarding these amendments.

Before the Department of Labor advocates further change or reform to JTPA we must seriously consider what works and need to maintain bipartisan support for employment and training activities.

III. The 30-Month Results of the National JTPA Study

In 1985, an advisory panel of researchers recommended that DOL evaluate JTPA using a design of a classical experiment in which program applicants are randomly assigned to treatment and control groups. Initially, DOL attempted to recruit a representative sample of SDAs to participate in the study, but most SDAs refused--mainly out of ethical concerns about random assignment or fear of public relations problems that could result from random assigning some program applicants to a control group. DOL did eventually recruit 16 SDAs to participate in the project. These are not the best or the worst SDAs in the country--without a prior random assignment study, neither DOL nor SDAs had any way of knowing which SDAs were the most effective. The main distinguishing characteristic of these 16 SDAs was their willingness to live with potential public relations problems related to random assignment.

Between November 1987 and September 1989, DOL randomly assigned 20,000 JTPA applicants in these 16 SDAs to treatment and control groups. The 18-month follow-up results were based on interviews, and the 30-month results are based on a combination of interviews for part of the sample and UI wage record data for the remainder of the sample. The main findings of the 18-month follow-up (which included the 4 to 5 months period in which participants were enrolled in the program) were that JTPA is moderately effective in serving both adult men and women, but not effective in serving youth. The following tables show the 30-month follow-up results. Table 2 shows the impact of JTPA on educational attainment. Tables 3 and 4 show the impacts on earnings for adults, and Tables 4 and 5 show the impacts on earnings for youth. Table 6 shows the employment impacts.

The results in these tables are presented for persons who actually enrolled in JTPA. Also, the impacts are for service categories to which applicants were assigned. Not all persons received the service to which they were assigned. Particularly in the case of OJT, many enrollees eventually only received job search assistance. Also, the impacts presented in these tables show the marginal effect that JTPA services make over and above whatever other services are available in the community. Controls were not prohibited from receiving education or training services outside the JTPA system. Roughly a third of controls did receive some other type of education or training.

Table 2

Impacts on
Attainment of a GED or High School Diploma
by School Dropouts at 30-month Follow-up

Percent of School Dropouts at
Entry with GED or High School
Diploma 30 Months after
Random Assignment

	Treatment Group	Control Group	Impact in Percentage Points
Adult Women	32.0%	20.4%	11.6**
Adult Men	24.2	16.3	7.9
Female Youth	39.4	31.7	7.7*
Male Youth Non-Arrestees	36.8	36.3	0.7
Male Youth Arrestees	29.9	28.9	1.0

Table 3

30-Month Follow-up Impacts, Adult Women Enrollees

	Earnings	Impact	Percent
Classroom Training			
Months 1-6	\$1,372	-\$169	-11%
Months 7-18	4,810	434	10
Months 19-30	5,826	365	7
OJT/Job Search			
Months 1-6	\$3,164	484***	18%
Months 7-18	7,128	787*	12
Months 19-30	7,027	1,021*	17
Other Services			
Months 1-6	\$2,187	478**	28%
Months 7-18	5,838	1,763***	43
Months 19-30	6,166	1,708***	38
Total	14,224	1,837***	15

Table 4
30-Month Follow-up Impacts, Adult Men Enrollees

	Earnings	Impact	Percent
Classroom Training			
Months 1-6	\$2,558	-\$255	- 9%
Months 7-18	7,896	632	9
Months 19-30	8,896	910	11
OJT/Job Search			
Months 1-6	\$4,368	374	9%
Months 7-18	9,665	611	7
Months 19-30	9,588	1,125*	13
Other Services			
Months 1-6	\$3,711	339	10%
Months 7-18	8,219	233	3
Months 19-30	8,093	368	5
Total	21,522	1,599*	8

Table 5
30-Month Follow-up Impacts, Female Youth Enrollees

	Earnings	Impact	Percent
Classroom Training			
Months 1-6	\$1,181	-\$284	-19%
Months 7-18	4,051	458	12
Months 19-30	5,047	665	15
OJT/Job Search			
Months 1-6	\$2,717	762**	39%
Months 7-18	5,768	-441	-7
Months 19-30	5,771	-899	-13
Other Services			
Months 1-6	\$1,386	-15	-1%
Months 7-18	3,352	-115	-3
Months 19-30	3,548	97	3
Total	10,508	210	2

Table 6
30-Month Follow-up Impacts, Male Youth Non-Arrestee Enrollees

	Earnings	Impact	Percent
Classroom Training			
Months 1-6	\$2,000	\$248	14%
Months 7-18	6,444	547	9
Months 19-30	7,918	-543	-6
OJT/Job Search			
Months 1-6	\$3,843	-366	-9%
Months 7-18	8,347	-1,148	-15
Months 19-30	8,911	- 1,198	-12
Other Services			
Months 1-6	\$2,219	340	18%
Months 7-18	5,211	-91	-2
Months 19-30	5,318	-688	-11
Total	16,418	-868	-5

The results in Table 2 suggest that JTPA is effective in increasing the educational attainment of persons who enter the program as high school dropouts:

- o The program increased the proportions receiving a GED or high school diploma in all target groups except male youth.
- o Note, though, that not all JTPA applicants are high school dropouts--in the study sample, 24 percent of adult women, 32 percent of adult men, 47 percent of female youth, 58 percent of male youth non-arrestees, and 65 percent of male youth arrestees were high school dropouts at entry.

For adults, the results in Tables 3 and 4 suggest that among different training interventions:

- o **OJT is an effective strategy for serving both men and women.** The net impact on earnings for OJT is 17 percent for women and 13 percent for men for the last year, and appears to be holding steady over time.
- o **Classroom training also appears to be effective in raising the earnings of adult males, but not adult females.** The net impact is almost statistically

significant for males, and is holding steady. Classroom training does not appear to be effective in raising the earnings of adult women.

- o **Much of the overall positive impact for women comes from the large net impact of the "other services" category.** The other services category mainly consists of less intensive services such as job search assistance, assessment, job-readiness preparation, and vocational exploration. The other services category had no discernible impact for adult males or youth.

For youth, the earnings results suggest the following:

- o **Overall, the earnings results for youth are disappointing nearly across the board.** With one exception, there is no indication that either female or male youth have been effectively served.
- o **The one promising finding is that classroom training may turn out to be an effective strategy for serving female youth.** The impact on earnings is increasing over time, and is close to being statistically significant.
- o **Impacts for both male and female youth are particularly discouraging for OJT.** This is in contrast to the positive impacts for OJT found for both adult men and women.
- o **The results for male youth with previous arrest records vary considerably, depending upon whether interview or UI wage record data are used.** Because of this variation, youth with prior arrest records have been left out of Table 6. Interview data suggest strongly negative program impacts on these youth, while UI wage records indicate a zero program effect. These youth make up roughly 25 percent of the male youth sample.

Also of interest in Tables 3 through 6 is the earnings level during the follow-up period of JTPA enrollees:

- o Adult women enrollees are earning between \$6,000 and \$7,000 a year during the follow-up period, and adult men are earning between \$8,000 and \$9,500. Female youth are earning less than \$6,000 a year, and male youth less than \$9,000 a year.
- o Even taking into account that this includes zero earners, these are low earnings. The poverty threshold for a family of four is currently \$14,335. JTPA is clearly serving a disadvantaged population, and there is plenty of room for improving their earnings.

Of particular interest to current efforts to reform welfare, adult women on AFDC did particularly well in this study--especially those assigned to on-the-job training. Control group earnings for AFDC women assigned to OJT averaged roughly \$4,000 a year during the follow-up period, while those enrolled in JTPA averaged nearly \$6,000 a year.

The study also examined program impacts on wage rates and employment levels.

- o The study found that four-fifths of the gains in earning for adult women was produced by an increase in hours worked, while the remaining one-fifth was due to higher wages. For adult men, three-fifth of the earnings gain was due to increased hours worked, and two-fifths was produced by higher wages.
- o Note that an increase in hours worked can be due to a combination of increased hours per week, increased weeks per quarter, and increased rate of employment within a quarter.

Table 7 shows the impact of the program on rates of employment during the last quarter of follow-up (as evidenced by having some earnings for the quarter in the UI wage data base):

- o The program slightly increased the employment of adult women--54 percent of the participant group were employed at some point during the last 3 months of follow-up as compared to 50 percent of the control group.
- o However, for adult men, female youth, and male youth, virtually the same proportions of the treatment and control groups were employed at some point during the last quarter of follow-up.
- o The low employment levels shown in Table 7 for both participants and controls again suggest we are serving a highly disadvantaged population in JTPA and that there is much room for improving their human capital.

Table 7
Employment Rates in the Last Quarter of Follow-up
(As Evidenced by Earnings in UI Data Base)

	Treatment	Control
Adult Women	54.3%	50.5%
Adult Men	53.6	54.4
Female Youth	50.2	49.9
Male Youth (Non-Arrestees)	62.3	61.8

The study also included data on AFDC and Food Stamps receipt, self-reported arrests for youth, and program costs:

- o The study found no impact of JTPA on AFDC or Food Stamp receipt.
- o Adding more discouraging news to the youth findings, the study found that among youth without prior arrest records, 29 percent of the enrollee group as compared to 19 percent of the control group reported being arrested during the follow-up period.

Finally, the study found that program benefits for adults outweighed by a large margin the costs of the program. For youth, however, program costs outweighed benefits. One reason for the large positive benefit/cost ratio for adults is that the incremental costs of JTPA are quite small when taking into account that persons will make use of other services if JTPA is not available.

IV. Policy Implications of Job Training Evaluation Results

One of ETA's 1994 objectives is to undertake a dialogue with the JTPA system and the advocacy community to reach a consensus on a strategy for the future of Title II of JTPA. It has been five years since the program was examined by the Advisory committee. Much has happened during that period including the 1992 amendments and the impact study. An important part of that dialogue could be reforms needed to better serve youth under the program. The outcome of such a dialogue might be a decision to make no changes, to make regulatory or administrative adjustments, pilot new concepts, or propose legislation.

Consideration of further amendments to JTPA, or replacement of JTPA by another generation of Federal employment and training programs, should recognize the strengths of the current JTPA system and the different implications research results have for adult and youth programs.

JTPA Strengths

Particular strengths of the JTPA system that should be considered in any restructuring of job training programs include the following:

- 1. Infrastructure for serving disadvantaged persons.** JTPA has an infrastructure in place that covers the entire country. Currently, there are 2,500 State employees and 16,000 SDA staff working with the JTPA program. Over 50 percent of these staff have been involved in job training for five or more years. Additionally, there are larger numbers of persons employed by community-based organizations, community colleges, and trade schools working within the JTPA system.
- 2. Public/Private partnership.** JTPA established public/private partnerships in each locality for designing programs for serving disadvantaged persons. Each local private industry council has representatives from business, labor, education, community-based organizations, and social service agencies. There are roughly 16,000 persons who currently volunteer their time to serve on private industry councils.
- 3. Local decision-making balanced by federal oversight.** JTPA provides for a stronger federal role than a block grant, while at the same time allowing much room for local discretion in designing and operating job training programs.
- 4. Linkages to private sector jobs.** JTPA's on-the-job training program provides a direct link for economically disadvantaged persons into private sector jobs.
- 5. Incentive for community colleges to serve the disadvantaged.** JTPA funds provide an incentive--along with Pell grants--for community colleges to provide education and job training to economically disadvantaged persons.
- 6. Linkages which have already been established with other human resource programs.** JTPA already has in place linkages at both the State and local levels with other human resource programs. This is especially the case with the JOBS program.
- 7. Training for both the non-welfare poor and the welfare poor.** JTPA provides training for both the welfare poor and the non-welfare poor alike. While persons on AFDC can receive training through the JOBS program, the non-welfare poor and persons receiving General Assistance have relatively few opportunities for training other than JTPA. There is a need for employment and training for males, particularly those receiving General Assistance, that the JOBS program cannot provide.

Lessons Learned in Adult Training

The positive results for both adult women and men in the JTPA Study generally reinforce current adult job training programs. The positive results for adult men are particularly noteworthy because this study represents the first time the general population of disadvantaged adult males have been included in a random assignment evaluation. The strongly positive results found for women on AFDC also is especially relevant to current welfare reform efforts. However, the modest level of program impacts--plus uncertainty about whether these impacts will persist over time--still leaves room for some program improvement.

For example, the JTPA Study suggests that OJT is effective in increasing earnings for adults. Evidence shows we can expect earnings increases around \$1,000 annually for both men and women. These earnings gains are an average--some enrollees may be helped much more and some not at all. If our goal is to have a positive return on money spent, then we are succeeding in JTPA adult programs. If our goal is self-sufficiency, then we have to continue to find ways of improving our programs.

Random assignment evaluations of Supported Work, various State welfare-to-work programs, a Home Health Care Aide Demonstration, and the Rockefeller Foundation's Minority Female Single Parent demonstration point to the need for more intensive interventions:

- o **Low-cost job search assistance programs lead to modest employment and earnings gains; however, these programs usually were not able to move people out of poverty or increase the earnings of the most disadvantaged.**
 - Unpaid work experience components of some of these programs did not lead to consistent employment and earnings effects.
- o **Medium intensity interventions can have impacts similar to the \$1,000 a year impact found in JTPA adult programs, but these impacts tend to decay over time.**
 - In the Supported Work demonstration, the \$1,000 a year earnings impact was sustained through the third year of follow-up, but by the seventh through tenth years of follow-up they had decayed to \$500 to \$600 a year. The home health care demonstration maintained a \$1,000 a year impact through the second-year of follow-up, and the impact persisted but fell to \$500 by the sixth year. The San Diego Saturation Work Initiative Model for AFDC recipients had earnings impacts of about \$600 a year during the second and third years of follow-up, but these impacts for the most part disappeared by the fifth year.

- o **Additionally, medium intensity interventions have negligible long-term impacts on employment.**
 - By the end of the third follow-up year in Supported Work, almost exactly the same percentages of the treatment and control groups were employed. Similarly, while the earnings impacts for the Center for Employment Training (CET) program are being maintained through the fifth year of follow-up, the employment rates of experimentals and controls are now very close. Employment impacts in the San Diego AFDC program also for the most part disappeared by the fifth year of follow-up.

Policy Options for Adult Programs

The results of job training programs for adults suggest that medium-intensive interventions can have modest impacts on earnings, but that 1) these earnings gains typically are not sufficient to move individuals out of poverty; 2) these gains tend to decay over a period of five years; and 3) the earnings gains are not accompanied by large gains in employment levels. These findings suggest the need to move towards more comprehensive interventions. Policy options in this regard include the following:

1. **More intensive training combined with income support.** We should consider moving toward a program design similar to that planned for dislocated workers and AFDC recipients--giving individuals a chance to have up to two years of training and to receive some income support while they are in training. It may take two years of training to give economically disadvantaged persons the skills they need to move out of poverty. Income support needs to accompany such a program to enable individuals to make such a time commitment.
2. **Greater use of work-based learning.** Combining work and training makes sense for adult programs in terms of both helping persons understand why they need to learn and providing earnings for them while they are in training. We should develop programs in which individuals can work part-time and receive training part-time.
3. **Encourage OJT interventions, particularly for women.** A direct policy implication from the evaluation is that on-the-job training does work for both adult men and women, and for women appears to be more effective than classroom training. The 1992 JTPA amendments included provisions restricting OJT based upon concerns of the OIG relating to reverse referrals (people referred for JTPA OJT enrollment after they had already been hired by a firm) in OJT contracts and OJT training periods that exceeded the time required to learn

an occupation. Early indications from the field suggest that these restrictions are causing SDAs to shy away from using OJT altogether. Thus, we are now in a situation in which research shows on-the-job training to be an effective treatment, yet legislative restrictions work towards limiting the use of the treatment.

Lessons Learned in Out-of-School Youth Programs

The disappointing results for out-of-school youth found in the JTPA Study parallel the results found in most other random assignment evaluations of youth programs.

- o While the Supported Work evaluation found positive gains for the three adult groups served, youth served by Supported Work--mainly males who were high school dropouts--had slightly lower post-program earnings than controls.
- o The Summer Training and Education Program (STEP) added remedial education, life skills, and sex education components to traditional summer employment programs. The evaluation of STEP funded in part by DOL found short-term positive impacts on math and reading scores, but no long-term impact on staying in school, employment, or teen pregnancy.
- o The JOBSTART demonstration provided a fairly comprehensive set of basic skills and vocational skills to dropout youth with low reading skills. The evaluation found large GED impacts (as with JTPA) but only modest net impacts on earnings for female youth; no effect on the earnings of male youth without a prior arrest record; and quite strong positive impacts on earnings in the fourth year of follow-up for male youth with prior arrest records. One JOBSTART site out of 13 did do exceptionally well in boosting the earnings of enrollees--the same site (CET in San Jose) that did well in serving minority single parents in the Rockefeller Foundation study.
- o The Entitlement Demonstration, conducted by DOL in late 1970s, offered disadvantaged youth a guaranteed job if they stayed in school or returned to school. The job guarantee was offered in 17 high-poverty inner-city or rural communities. The evaluation was not based on random assignment, but rather in comparing four demonstration sites to four similar sites. The results indicated no long-run impact on school completion, but some post-program impact on earnings.

The combined results of the JTPA, Supported Work, STEP, JOBSTART, and Entitlement evaluations suggest that at this point we do not know how to effectively serve out-of-school disadvantaged youth. These combined results also point to the

difficulty of turning around someone's life once they have become a teenager. One logical conclusion from these research results is that we need to move towards more intensive interventions for youth. The question then becomes how much do we need to spend per youth to effectively serve them.

- o Currently, we spend roughly \$2,800 per youth in JTPA Title II-C, and do not appear to be not effective. JOBSTART sites spent an average of \$4,500 per youth, and did not have a large positive impact for most youth--but did have a positive impact on male youth with arrest records. The Job Corps spends \$20,000 per service year (\$12,800 per youth, as the average length-of-stay is seven and a half months) and is widely considered to be highly effective in serving youth. A multi-year evaluation of the Job Corps completed in 1982 found post-program gains in earnings of roughly 15 percent, but the study used a comparison group rather than a control group design.

Policy Options for Out-of-School Youth

In moving towards restructuring youth training programs, the Department does have a base upon which to build:

- o **Perhaps the main feature job training programs bring to serving youth is the notion of combining work and education.** This is the strength of the apprenticeship model--the close link between work and academic instruction, coupled with a promise of a career when the training ends. The concurrent provision of vocational training and basic skills instruction is also apparently one of the main reasons for the success of the San Jose CET program in serving both adults and youth, and a central feature of the promising construction training and leadership program YouthBuild.
- o **This concept of work-based or contextual learning--showing youth why they need to learn something by linking education and work--needs to become an underlying principle of DOL training programs.** Too often, second-chance programs such as JTPA turn out to be second-dose interventions--attempting to train youth in the same classroom style in which they originally failed. Job training programs need an underlying instructional philosophy, and that philosophy should be contextual learning.
- o **Restructuring youth programs should also be based on the notion of having a number of comprehensive program models available that are designed specifically to the needs of various target populations.** Teen parents need programs with a number of complementary health, education, and social service components; homeless youth need job training combined

with housing assistance; some dropout youth are still willing to give school a second try and can best be served in alternative schools; other dropout youth are completely alienated from school, but are attracted to conservation corps, the Job Corps, or apprenticeship-type OJT placements.

- o **Community values and peer pressure are critical influences on youth behavior.** Peer pressure is perhaps the dominant force that acts on youth, and a saturation of programs may be necessary to reverse the negative peer pressure that in many cases now prevails among disadvantaged youth in inner cities. Geographic saturation of job training and education programs may have larger impacts than widely dispersed programs aimed at individual youth. There is a strong policy argument for changing JTPA Title II-C's allocation formula to concentrate resources on high-poverty inner-city and rural areas, though there would be little political support for such a change.
- o **Finally, restructuring youth programs should also be based on the idea of creating much higher expectations for participants than is the case in typical youth programs.** An HHS teen parent demonstration, which is showing gains in education, created high expectations from the start for young women entering AFDC for the first time. YouthBuild, which is currently being replicated by HUD with a budget of \$40 million, stresses to participants that ultimately it is their own responsibility to turn around their lives. The California Conservation Corps emphasizes that corpsmembers are there to serve the State of California. There is an awareness in the black community regarding the importance of creating higher expectations for youth.

With this base, there are a number of options to improve JTPA programs serving out-of-school youth:

1. **Work closely with States and SDAs to ensure a full implementation of last year's JTPA Amendments.** The results from the JTPA Study are for persons who were enrolled in the program during the period from 1987 to 1989. Since then, the JTPA system has moved towards more intensive programming for youth, and the JTPA Amendments will further that trend. DOL could make sure that States fully implement the Amendments, and we can undertake another random assignment study to determine if we are now more effective in serving youth. Note that it would take several years to complete a new random assignment evaluation of current JTPA youth programs.
2. **Reinvent SDAs by using waivers as an incentive for States and SDAs to experiment with new approaches such as intensive, work-based learning for serving out-of-school youth.** We propose to offer States and SDA's the

opportunity to conduct a high performance job training program under a waiver provision similar to that included in the School-to-Work legislation and under the demonstration authority which has been available to the AFDC program to test new concepts. We would establish a set of criteria for high performing SDA's to propose a demonstration program to test new concepts for serving particular target populations, in this case out-of-school youth. An agreement would be negotiated with each State and SDA selected, which would require rigorous evaluation, such as random assignment wherever possible. In return, the State or SDA would be granted waivers from selected legislative or regulatory provisions e.g. the cost limitations, the 6-month OJT limit. In the absence of any prospect for a large infusion of new RD&E funds, this would encourage States and SDA's to use their formula funds for experimentation, thereby reducing the long lead time and the cost of setting up new demonstration programs. This approach would also be in keeping with the principles of reinventing government since we would be reducing regulatory and statutory requirements, decentralizing authority to States and SDA's and encouraging streamlining and experimentation. To bring this about, we could amend the authority currently included in the School-to-Work legislation to extend to the remainder of Title II.

3. Legislation to Restructure Youth Programs. Once ETA completes its dialogue within and outside of the JTPA system, DOL will be in a position to decide whether we need more fundamental changes in youth programs. Such changes may involve legislation to restructure--either partly or totally--DOL's youth programs.

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**WHAT'S WORKING AND WHAT'S NOT: WHAT WE KNOW ABOUT GETTING
PEOPLE NEW SKILLS AND NEW JOBS**

**Office of the Chief Economist
U.S. Department of Labor**

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Summary

To design a training and reemployment system that responds effectively to the needs of those it serves, it is important to learn from previous successes and failures. An impressive body of evaluation literature on training and employment service programs is now available to help us do so. This literature provides valuable lessons about which programs and approaches are likely to work and which are not.

This review summarizes the best evidence that is available on the impacts of past and existing programs on employment, earnings, and educational achievement. It relies to the extent possible on studies that use a random assignment approach. All dollar figures are expressed in terms of their equivalent value in 1993 unless otherwise indicated.

First Jobs for Youth Under 21

This section examines programs that aim to facilitate young people's movement into first jobs. It also discusses several programs that have tried to help high school students at risk of dropping out.

In-School Youth: It has proven difficult to improve the labor market prospects of youth who drop out of high school, which underscores the importance of efforts to reduce the number of dropouts. Existing research on dropout prevention efforts indicates that such programs can and often do work well, but they are difficult to operate effectively. Many programs have increased high school graduation rates, but many others have not. Programs have had more success in increasing scholastic achievement than in keeping students in school.

- o The Summer Training and Employment Program (STEP) provides remedial academic education and summer jobs to disadvantaged youth aged 14 to 15. At the end of two summers in STEP students show significant improvements in achievement test scores. STEP is not expensive -- it costs just \$600 per student more than the existing summer jobs program.

Despite the short-term improvements created by the program, when STEP graduates are re-examined several years later they show no significant improvements in high school graduation rates. Short-term, inexpensive summer interventions like STEP appear to have a significant but temporary effect on disadvantaged youth. It is important to find an effective way to combine these kinds of interventions with a link to year-round assistance in the school or community.

- o The Maryland's Tomorrow program combines a full-time summer

program (including employment) with a school year follow-up that includes academic assistance and career guidance. The first two cohorts of students in the program did appear to improve their academic achievement in basic skills compared to non-participants, but they did not show a significant increase in their likelihood of graduating high school. There is, however, some evidence that dropping out may have been delayed: the dropout rate for participating students was lower than the rate for comparison group students during the 9th grade, but the rate was equivalent to that of the comparison group by the end of the 12th grade.

- o California's Partnership Academies are small-scale, highly intensive "career academy" programs aimed at high school youth at moderate risk of dropping out. (The most troubled of potential dropouts are generally not served in these academies.) They combine vocational and academic instruction with internships in the career of choice, and begin in the tenth grade. On average, the academies appear to have cut the dropout rate among their students in half. Because of problems with research design, these results are encouraging but only approximate estimates of impacts.
- o A series of Education Department demonstrations has produced reliable evaluation evidence for a dozen high school dropout prevention programs¹. Most of these programs were evaluated using random assignment techniques. All of the interventions had a vocational education dimension, and enrolled students beginning in the tenth grade or after. The program models combined vocational counseling and skills training with intensive academic help.

A number of interventions were quite successful in retaining students in school. Dropout rates at some sites were more than cut in half over a two to three year follow-up period. However, other demonstration sites did not reduce dropout rates among their participants at all. It is difficult to generalize about the reasons for these differences. Some of the less successful programs enrolled highly at-risk students who were unusually difficult to serve, while others faced severe resource shortages. Overall, the evidence indicates that dropout prevention programs can have substantial success, but the exact determination of why some programs succeed and others fail requires further research.

Another approach to assisting in-school youth is through subsidized employment. These programs appear to have been successful in greatly increasing employment and earnings among

¹ This findings are preliminary and not yet officially endorsed by the Education Department.

disadvantaged youth during the period that the subsidized job is provided. That is, many of the youth employed by subsidized employment programs would not have found other jobs in the absence of a government funded jobs program.

The Summer Youth Employment and Training Program (SYETP) provided summer jobs to 620,000 disadvantaged youth in 1993. The program appears to greatly increase summer employment rates among disadvantaged youth in sites where jobs are provided. Using data on minority employment and SYETP placements in various states, researchers estimate that for every 3 SYETP jobs provided, 2 youth are employed who would otherwise not have worked that summer. However, researchers have not yet investigated whether SYETP creates positive long-term impacts on employment after participants leave their summer jobs.

More information about SYETP comes from a recently completed survey of program participants and their employers. Ninety percent of respondents (both participants and supervisors) reported that the work performed was useful to the employer. The survey also revealed that many youth who want to participate in SYETP cannot do so due to limited program slots. Almost all of the programs visited reported substantially more applicants than they could enroll.

The Youth Incentive Entitlement Pilot Project (YIEPP) was a program active from 1978 to 1981 which guaranteed full-time summer jobs and part-time school year jobs to disadvantaged youth who stayed in school. Disadvantaged youth aged 16 through 19 who had not graduated from high school were eligible for the program. All the jobs offered were at the minimum wage.

YIEPP appears to have roughly doubled the employment rates among 16 to 18 year old disadvantaged black youth at program sites. This dramatic increase in employment indicates that these disadvantaged youth wanted to and did work once they were given the chance. But despite the school enrollment requirement attached to the jobs, researchers estimated that the growth in employment under YIEPP did not lead to increased rates of high school enrollment or graduation for program participants.

Disadvantaged Out-of-School Youth: Much evidence is available on employment and training programs for disadvantaged out-of-school youth such as high school dropouts. The findings include:

- o Relatively short-term (3 to 6 month) skills training was provided to disadvantaged youth under the Comprehensive Employment and Training Act (CETA), the government's major training program for disadvantaged youth during the 1970s, and the Job Training Partnership Act (JTPA), which replaced CETA in the 1980s. Both of these programs have been found to be unsuccessful in raising youth employment or earnings.

(These negative findings precede the 1992 reforms to the JTPA program.)

- o In contrast, the residential, high intensity Job Corps program, which costs about 4 to 5 times what JTPA Title II training does and takes about a year to complete, has shown marked success in improving future earnings. A late 1970s study found that Job Corps youth -- who come from very disadvantaged backgrounds -- experienced an average annual earnings increase of 15% (or around \$1,000) over a four-year follow-up period. Participants also committed fewer serious crimes. The study estimated that the program creates benefits to society about 45% greater than its costs.
- o The JOBSTART demonstration tested various approaches to short-term, moderately expensive training for youth at 13 different sites. At 12 of the sites participants fared no better than the control group. The exception was the San Jose Center for Employment and Training (CET), which had very impressive results. Annual earnings for participants improved by over \$3,000. CET is marked by an emphasis on vocational skills training, in which basic academics and vocational instruction are closely intertwined. The program has also forged very close connections to the local labor market. The CET example suggests that short-term youth training can work if it is provided with a strong labor market orientation.
- o Consistent with the findings for in-school youth, subsidized work experience for disadvantaged out-of-school youth has produced substantial gains during the period of subsidized employment. However, it has generally not had long-term effects on employment or earnings.

It may be possible to combine subsidized employment with some form of education, training, or connecting activity in order to create lasting improvements in labor market outcomes for youth. There is some evidence of positive outcomes from a pilot program (Alternative Youth Employment Strategies) that combined training with employment, but further experimentation is needed.

- o Job search assistance may produce short-term benefits for disadvantaged youth, but the evidence is mixed -- some models have worked and some have not. Several relatively intensive and expensive job placement programs have succeeded in creating significant but short-term earnings gains for youth. However, on average youth recommended for job search assistance in the JTPA evaluation did not show any gains in earnings.

Young Single Mothers: A number of studies have examined targeted

education and training programs for young (16 to 21 year old) single mothers. A number (though not all) of these interventions have produced moderate increases in participants' levels of employment and education. Programs that include strict mandates for participation have had the most success in improving outcomes for these young women, while voluntary interventions targeted at the most troubled teen mothers (those who had already left school and remained out for long periods) have had the least success. But the overall level of poverty and welfare receipt is disappointingly high even after participation in successful assistance programs.

Residence and Youth Outcomes: Evidence from a Chicago program (the "Gautreaux" program) indicates that residential location can have a substantial effect on education and employment outcomes for youth. Through the program, poor black families, mostly on welfare, were given the opportunity to move from inner-city Chicago to predominantly white middle class suburbs outside the central city. Researchers compared a group of families who had been given the opportunity to move to these suburbs to a very similar group of families who were given the chance to move to other parts of the central city. They found that 7 years after moving, youth who moved to the suburbs had far higher rates of high school graduation and college enrollment than those who stayed in the city. The suburban youth also had much higher employment rates and wages.

Programs for Disadvantaged Adults

A number of training and job search assistance programs for disadvantaged adults have been found to improve earnings significantly, especially for women. These programs have proved to be cost-effective investments for society.

Both CETA and the JTPA Title II program for disadvantaged adults produced significant earnings gains for women participants only, while JTPA yielded significant earnings gains for both men and women. The success of these short-term programs for adults is in marked contrast to their disappointing results for youth.

The evidence for JTPA is especially persuasive, since it is based on a large-scale experimental evaluation. This research found that JTPA participants earned an average of an extra \$940 more than controls during the second year after leaving the program. This represented an increase of 10% for men and 15% for women over what they would have earned without JTPA participation. The impacts of the program varied by the type of services provided to participants. In general, short-term classroom training was the least successful and a combination of on-the-job training and job search assistance was the most successful.

These earnings gains were substantially greater than the costs invested to produce them: JTPA services for adults produced social benefits about 50% greater than their costs within just 30 months of enrollment in the program.

Poor single parents: Many training programs are targeted specifically at poor single parents. Some are voluntary training courses, while others are required for recipients of Aid to Families with Dependent Children (AFDC) benefits. Many of these programs have produced significant earnings gains for their clients. But because of the low earnings available to less-skilled women, training programs alone are usually not sufficient to lift them out of poverty. (The scheduled expansion in EITC benefits will improve this situation somewhat. By 1996 the EITC will add up to \$4 for every \$10 earned by very low-income families with children.)

There is a compelling case for the effectiveness of subsidized employment approaches in helping this population. Two successful large-scale demonstrations -- the Supported Work demonstration and the Home Health Care Aide demonstration -- provided subsidized employment. In the Supported Work demonstration subsidized employment was combined with intensive support services, while the Home Health Care Aide demonstration provided some classroom training in work skills to prepare clients for their new jobs.

Both demonstrations produced average earnings gains of about \$1,500 to \$2,000 annually during the first and second years after program exit. These earnings gains were lasting -- they were still significant when participants were examined 5 to 8 years after exit from the programs (although they faded somewhat in magnitude). Both programs were cost-effective, and reduced AFDC payments significantly. Despite these successes, the programs did not produce significant declines in the poverty rate among participants.

Another form of subsidized employment, on-the-job training, has had considerable success in helping adult AFDC recipients. According to the JTPA evaluation, adult women receiving AFDC who were recommended for the on-the-job training component of JTPA had average annual earnings gains of about \$2,000.

Conventional voluntary classroom and vocational training models have had a more mixed record of success with single parents. The Minority Female Single Parent Demonstration tested different training models at four sites. Only one site, the San Jose Center for Employment and Training, created strong positive impacts on participants' earnings and employment (this was the same program that showed good results for disadvantaged youth). Earnings gains at CET averaged about \$1,500 during the second year after program exit.

"Welfare to work" programs for poor single parents: These programs mandate education and/or job search for AFDC recipients. The numerous evaluations of these interventions have found that:

- o Mandatory programs generally produce significant but modest positive effects on earnings and employment and slight declines in welfare reciprocity. Average earnings gains generally range from \$300 to \$700 annually, with accompanying declines in average annual welfare payments that were in the same range. Some sites have been more successful -- participants in the Riverside County program in California increased their average annual earnings by over \$1,000, or almost 50%. Earnings and employment gains have generally been found to "fade out" within 5 years.
- o Even with these modest improvements, welfare-to-work programs have often been cost-effective, with reduced welfare payments and increased tax receipts outweighing program costs.
- o While welfare-to-work strategies have produced significant impacts on earnings and employment, overall levels of poverty, welfare receipt, and unemployment remain high even after participation in these programs. For example, 80% of participants in California's welfare-to-work effort had family incomes below the poverty line 3 years after entering the program.
- o Work-oriented programs have so far been more successful than programs emphasizing basic education.

Other Sources of Education and Training

This section discusses research on the effectiveness of our major post-secondary education institutions, as well as the role of employer-provided training.

Post-secondary institutions play a critical role in the employment services system. Government programs rely on such schools for many of the actual training services provided at the local level. For example, much training for displaced workers is carried out through community colleges.

Basic Education: Several studies have examined the impact of receipt of the General Equivalency Diploma (GED), the major basic education credential that adults can seek. Although the evidence is not yet fully conclusive, the emerging consensus is that when compared to high school dropouts, GED recipients show little gain in earnings or employment due to GED receipt alone. However, there is a modest positive impact of obtaining a GED on receipt of further post-secondary training, and this further training

does produce some small earnings gains. In general, though, GED recipients don't appear to fare better in the labor market than otherwise comparable high school dropouts.

The GED appears to have more of a credentialing than a training effect. Most GED recipients study for just a few weeks in preparation for the test, which is probably not enough time to greatly improve skills. The GED appears to certify pre-existing skill differences, rather than improve skills.

Reliable evidence on the impacts of more intensive adult basic education programs -- which do attempt to provide basic skills to those who lack them -- is not yet available.

Post-Secondary Education: Extensive evidence is available on the benefits of post-secondary education for its graduates. The effects of higher education appear to be very positive, and have been steadily increasing over the past 20 years:

- o A year of post-secondary education is estimated to generate increased earnings in the range of 5% to 10%, and these earnings increases last throughout one's career. Some studies have shown even greater impacts. These estimates adjust for differences in pre-existing ability levels between those who do and do not go to college.
- o The income returns per year of credits completed are roughly similar for 2-year community colleges and 4-year colleges.
- o Substantial earnings increases appear to result from completed post-secondary credits whether or not students finish formal degree programs.
- o The gap between the median income of male college and high school graduates doubled from about 40% in 1979 to about 80% in 1992.

Employer-Provided Training: Employers themselves are a major source of training for their workers. Researchers are just beginning to seriously examine the impacts of employer training, but the early evidence is promising. Several studies indicate that employer-provided training can substantially raise firm productivity and improve worker earnings.

New Jobs: Re-Employment Programs For Displaced Workers

Many dislocated workers have great difficulty finding new jobs that pay wages close to what they earned on their previous job. A variety of re-employment programs for dislocated workers have been tested, ranging from conventional training programs to bonuses paid upon receipt of a new job. Although many of these

approaches are still experimental and are being used only in a few pilot programs, they have frequently been the subject of careful evaluations. The results indicate:

- o Job search assistance targeted at dislocated workers who are identified as likely to be unemployed for a long period speeds the process of obtaining a new job. Experiments testing this approach in five states found that these services created significant reductions in Unemployment Insurance (UI) costs. Dislocated workers receiving job search assistance found work from about one-half a week to four weeks more quickly than they otherwise would have, with an average reduction of about one week in most states.

Shortening the duration of unemployment spells produces large savings in the aggregate. Government saved about two dollars for every dollar invested in targeted job search assistance services.

- o Early intervention seems to be useful. Early intervention was one of the keys to the successful job search assistance experiments for UI recipients, and an evaluation of the JTPA training program for dislocated workers found that those localities which aggressively marketed services to workers early in their spell of unemployment were more successful in finding jobs for clients.
- o Self-employment assistance programs significantly improve unemployed workers chances of starting a successful new small business, and improve their overall likelihood of employment. Two demonstrations found that about 50% of participants in self-employment programs started their own business, as compared to only 25% of similar persons interested in starting a business who did not receive self-employment assistance.
- o Re-employment bonus programs, which pay a reward to an unemployed worker when they find a new job before exhausting unemployment benefits, accelerate the return to work. Experiments have found that the bonus offer decreases the average time receiving UI benefits by 1/2 to 1 week.
- o Short-term training for dislocated workers is an area where firm conclusions are difficult to draw. Existing evaluations of short-term training programs for dislocated workers suggest that they do not significantly raise employment or earnings beyond the gains that would be expected from job search assistance alone. However, there are weaknesses in these studies, and short-term JTPA training for the disadvantaged has yielded positive results, so more research would be useful here.

- o Researchers have not yet conducted random assignment evaluations on the effectiveness of long-term training for dislocated workers. But evidence on the effectiveness of post-secondary education, especially findings of substantial returns from community college education, points toward positive effects for long-term training.

This evidence is relevant since many long-term training programs for dislocated workers contract with local community colleges to provide vocational education. (These findings are for young adults; no study has directly examined the effects of community college education on older dislocated workers).

In addition, the steady increase in the rewards for post-secondary education indicates that advanced skills are becoming more valuable in the workplace.

Conclusions

Impacts By Type of Service Provided: Four basic types of employment services are commonly provided. The actual effects of these types of services naturally vary greatly depending on the quality of the program staff, the exact approach used, and the population being served. However, some general conclusions can be drawn based on the type of training services that are offered:

Job Search Assistance (JSA) has produced significant short-term positive impacts for every population group. The results for youth are somewhat mixed, though, as some JSA interventions have succeeded and some have not. JSA appears to accelerate the process of finding a job, but not to have a lasting effect on the quality of job obtained.

JSA is generally one of the cheapest types of interventions. So even when the improvement in outcomes is short-term, the help provided is usually a worthwhile investment, with benefits outweighing costs by a substantial amount.

Short-Term Classroom Training. The impacts of relatively short-term (3 to 6 month) classroom training have in most cases not been particularly positive, especially for youth. However, the experience of the San Jose Center for Employment and Training shows that such training can have strong positive effects when it is closely tied to the labor market and very well implemented. In addition, classroom training has produced modest earnings gains for some disadvantaged adults in the JTPA program. Results for displaced workers are not particularly encouraging so far, but there are weaknesses in the relevant studies and more research is needed.

Long-Term Classroom Training. There have been no random assignment studies in this area. But a substantial amount of research shows that returns to each year of community and 4-year college education are high, and this suggests that advanced skills do pay off well. The Job Corps experience also shows that longer-term training can work well for very disadvantaged youth, if it is combined with extensive support services and delivered in a residential setting.

Subsidized Employment. Subsidized employment involves the provision of short or long-term employment, often with a private sector firm. In on-the-job training, government provides a partial subsidy to a private sector employer to hire and provide training to a disadvantaged individual. Other models simply provide a term of subsidized employment with a private firm or government agency, often followed by job search assistance.

OJT and its supported work variant have proven quite successful for single mothers who are on welfare. The record in helping other adult populations is more sketchy, but generally positive. Adult women have shown significant employment gains when enrolled in OJT in the CETA program, while both adult men and adult women have been found to benefit from the on-the-job training provided in the JTPA program.

Subsidized employment has a mixed record for disadvantaged youth. Public employment programs have been successful in boosting employment for disadvantaged youth considerably during the program period. This indicates that disadvantaged youth want to and will work when given the chance. But subsidized employment programs alone have not been successful in producing lasting gains in employment or earnings for youth participants once the program was over. Linkages to other training services are apparently needed if this approach is to produce permanent gains for youth. Creating pathways between temporary subsidized jobs and permanent employment with a chance for advancement may also be a promising approach.

Overall Conclusions: Surveying the evidence leads to several general findings:

- 1) At least some services have been successful for every population examined. Employment-related services have produced significant gains in earnings and employment for disadvantaged adults and youth, single mothers, and displaced workers.

- 2) Some populations are easier to assist than others. With some notable exceptions such as the Job Corps and the San Jose CET program, interventions for disadvantaged youth have not been very effective. In contrast, programs for disadvantaged adult women have shown particular success.

3) Results from successful programs are moderate on average. In general, programs seem to produce earnings gains averaging one or two thousand dollars per year, and in many cases these effects fade with time. While not large, the improvements created by employment programs are significant, and represent real gains for society and for the individuals involved. But they are often not enough by themselves to lift disadvantaged participants out of poverty.

4) Many employment services for displaced workers and the disadvantaged appear to be cost-effective investments. Returns to society of \$1.50 or more per dollar invested have been found in reliable evaluations of JTPA training for disadvantaged adults, the Job Corps, the San Jose CET, many welfare-to-work programs, and job search assistance for displaced workers.

5) It appears to take time for programs to begin to work. Many of the success stories in training for the disadvantaged have come from programs which were operating for 5 years or more before they were evaluated. This finding suggests that the knowledge and experience built up through years of practice may be an important factor in determining a program's success.

6) Only a limited range of interventions have been tried, and even fewer have been evaluated. For example, most training programs for the disadvantaged have been short-term and not particularly intensive. Also important is the fact that employment and training programs have rarely been able to saturate a single community, and have rarely been combined with a range of other interventions directed at the same community. There is evidence that such a comprehensive approach may be more successful than isolated interventions.

SECTION 1: INTRODUCTION

The purpose of this paper is to summarize the best of the large body of literature on the effectiveness of training and employment services in improving labor market outcomes. What kinds of positive impacts (if any) can we expect from such interventions? Which approaches have worked and which have not?

These questions have become more important in recent years. Over the past two decades the dream of economic security has faded for many. The overall economy has grown over this period, but those Americans without advanced levels of education and training have not fully reaped the benefits of this growth. While college graduates and those with other post-secondary training have maintained and in some cases even increased their real earnings, high school graduates have seen declines in real wages.

This pattern of increasing inequality by education level is not unique to this nation, although it is particularly marked here. Over the course of the 1980s, education and training have become increasingly important to economic success in almost every advanced industrial nation that economists have studied¹. Technological and structural changes in the world economy place an increasing premium on advanced problem-solving skills².

All this makes it an appropriate time to step back and review what we know about the effectiveness of training and employment services in this country. If a revamped training and reemployment system is to respond effectively to those it serves, we must learn from previous successes and failures. The vast body of evaluation literature that is available helps us do this.

The Nature of the Evidence

There are many ways of looking at the effectiveness of employment and training programs. One can examine how they were implemented, qualitative descriptions of their effect on participants, their effect on some measure of participant skills (such as test scores), client satisfaction with the program, etc.

This report focuses on one particular measure of effectiveness -- the impact of the program on the future success of its participants. That is, do those who participate in the program find employment more easily than they would have if they hadn't

¹ "Earnings Inequality: Changes in the 1980s", in OECD Employment Outlook, Organization for European Cooperation and Development, 1993. Freeman, Richard B. and Lawrence Katz, "Rising Wage Inequality: The United States vs. Other Countries." In Working Under Different Rules, R.B. Freeman, Ed. New York: Russell Sage Foundation, 1994.

² Levy, Frank and Richard Murnane, "U.S. Earnings Levels and Earnings Inequality: A Review of Recent Trends and Proposed Explanations", Journal of Economic Literature, September, 1992. Freeman and Katz, op. cit.

participated? Are their earnings higher? What are the magnitude of these changes? Do other positive outcomes result from the services they have received -- higher educational achievement, less welfare dependency, less participation in crime? Even if positive outcomes do not result, this is very valuable evidence as well, since it teaches us what doesn't work for a particular population.

Note that these questions are different than asking whether graduates of the program do well or badly. Graduates who do well may be no better off than they would have been without the program. Similarly, even if many graduates do badly, more might have failed without the intervention. Assessing impacts requires comparing program participants to a group of similar individuals who did not participate in order to determine the difference made by the program.

One of the best methods of making this comparison is an experimental design which randomly assigns individuals to a treatment group which can receive services from the program under study and a control group which cannot. The impact of the program is then assessed by comparing the earnings and employment of the treatment group to those of the control group. If these differences are statistically significant, they are ascribed to the effects of program participation³.

When these experiments are well designed and implemented, on average the only difference between the experimental and the control group will be that the former are eligible to receive program services and the latter are not. Thus, the difference between the labor market success of the two groups can reliably be ascribed to the effect of the program being evaluated. Wherever possible, the evidence presented in this paper comes from experimental designs using random assignment.

But conducting a good random-assignment experiment involves a great deal of difficulty and expense, and it is often not possible to evaluate programs using such experiments. Where this type of evidence was not available, we have used well designed "quasi-experimental" studies. These studies use a carefully matched "comparison group" rather than a randomly assigned

³ Generally, evaluators are willing to accept that a difference between two groups is real when that difference is "statistically significant." Statistical significance is determined by a mathematical test which finds the likelihood that a difference would occur through random chance, instead of because of the effect of the services received by the treatment group. Usually, evaluators will put substantial weight on a result if there is no more than a 5% or at most a 10% probability that it occurred through random chance.

control group to determine treatment effects. That is, a group of people who appear to resemble the program participants in all observable ways (age, income, race, geographic location, etc.) are selected and tracked⁴. If the labor market success of program participants differs from that of comparison group members, the difference is presumed to result from the program.

There are many pitfalls involved in the use of such quasi-experimental designs. It is almost impossible to find a comparison group that resembles the control group in all relevant ways. Even if comparison group members appear similar to program participants in their observable characteristics, it is likely that unobservable characteristics like motivation to work differ between the groups. For example, in some cases only the most motivated members of a given class of people will sign up for a difficult training program. One would have expected these motivated individuals to show greater success than their peers, even if they hadn't been in training. For these reasons, quasi-experimental studies often ascribe to the program effects that are actually due to pre-existing differences between the comparison group and the participants.

Another problem is that only those experiencing temporary difficulties in employment may apply to training programs. Any increase in their earnings after entry to the program might just be a reversion to their ordinary state that would have happened anyway. Since comparison group members weren't experiencing this kind of temporary downturn, they might not show an earnings increase, and the increase in earnings could be ascribed to the effect of training.

We have used only exceptionally well-designed quasi-experimental studies, which matched comparison groups on the basis of a wide variety of characteristics.

No methodology is foolproof, though, and even careful experimental or quasi-experimental studies are no exception. These studies often produce somewhat conservative estimates of the total impacts of education and training. One reason for this is because members of the control or comparison group often receive some education and training services themselves from other programs besides the one that is being evaluated. Thus, the evaluation results show only the additional impact of the particular training program being evaluated beyond any other services that are available in the community. This means that the impacts from these studies are often a low estimate of the total effects resulting from participation in employment

⁴ If no group can be found that exactly resembles the participants, then statistical techniques are used to adjust for the differences between the groups in observable characteristics.

programs.

A second reason for these conservative estimates is that in many studies not all members of the experimental group actually participate in the training -- many drop out or do not even enroll on being offered services. To a certain extent, this is a legitimate effect of individual motivational differences that are also present in the control group. However, it may also water down the actual impacts of training on those who do enroll.

There are several other issues that stem from the inability of these studies to measure the indirect effects of programs on those who do not participate in them. One is potential displacement effects -- the possibility that successful program graduates take jobs away from other persons who would have received them, so that the positive effects of the program are offset by job losses among non-participants. Not including these displacement effects leads studies to overstate the benefits of the program.

However, there is another error that causes studies to understate the positive outcomes of interventions, and this is the presence of neighborhood effects. Improving the employment outcomes of some persons within a community can lead to "spillover effects" as other people in the neighborhood imitate the positive actions of their peers. For example, researchers have found that youth are more likely to work if a large proportion of their peers also work⁵.

Perhaps the most serious shortcoming of depending solely on the best quantitative impact studies, though, is that so few are available. Of the thousands of local training programs active around the country over the last decade, only a few dozen have been the subject of rigorous impact evaluations. Because of this, it is almost certain that many successful and unsuccessful programs will escape our attention in this review.

Finally, it should be understood that no single study can conclusively demonstrate whether or not a program works. It takes an accumulation of evidence from many sources to allow us to fully judge the success or failure of a program. These sources should include not only quantitative evidence on impacts, but qualitative descriptions of the way the program works.

⁵ Case, Anne and Lawrence Katz, The Company You Keep: The Effects of Family and Neighborhood on Disadvantaged Youth, National Bureau of Economic Research, 1991; Mayer, Susan "How Much Does a High School's Racial and Socioeconomic Mix Affect Graduation and Teenage Fertility Rates?" In C. Jencks and P. Peterson (eds), The Urban Underclass, Washington, D.C.: The Brookings Institution, 1991.

The Organization of the Paper

In addition to this introduction, the paper includes five sections:

Section 2 examines what we know about successfully providing first jobs to youth who are new entrants to the labor market.

Section 3 summarizes the evidence on employment and training programs for disadvantaged adults with little or no recent labor market experience. While many economically disadvantaged adults have extensive employment experience, there are many who are coming off long periods of unemployment. A number of programs are designed to help these adults obtain jobs.

Section 4 discusses research on the effectiveness of other important sources of education and training in raising the future employment and earnings of those who participate in them. The areas examined include the adult basic education system, post-secondary education (2 and 4 year colleges and universities), and employer provided training. These institutions play a critical role in the overall system of training and employment services.

Section 5 analyses the evidence on our experience with reemployment services, or providing new jobs to dislocated workers. Many dislocated workers have great difficulty in finding new jobs that pay wages close to what they earned on their previous job. This section discusses the effectiveness of both training and other reemployment services in helping these unemployed workers.

Section 6, the concluding section, ties together the evidence of the first five parts in another way. Instead of analyzing the training impacts for each population, this section briefly summarizes the evidence on the differential effectiveness of the four basic types of services that are usually used: job search assistance, short-term classroom training, long-term classroom training, and subsidized employment.

Special Note

All dollar figures in this paper are expressed in terms of their purchasing power in 1993 unless otherwise indicated.

SECTION 2: FIRST JOBS FOR YOUTH UNDER 21

The established route for youth labor market preparation is the educational system -- a high school diploma followed by college for those who are able to undertake it. Thus youth training programs have historically focused on young people who are either high school dropouts or at risk of dropping out.

Programs For In-School Youth

In-school programs typically focus on young people at risk of dropping out. These in-school programs are critical because the evidence shows that it is very difficult to help young people once they have dropped out of high school. As discussed below, few training programs for high school dropouts have been effective. These discouraging results make it very important to help young people before they drop out.

Only a few of the many dropout prevention programs existing in high schools have been rigorously evaluated⁶. It seems quite likely that many successful programs have escaped the attention of reviewers because of the lack of good evaluations. Fortunately, better information on such programs is gradually becoming available⁷.

Although the state of the research makes conclusions somewhat premature, several general observations emerge from the existing studies:

- o Dropout prevention efforts can work, but they are not easy to do effectively. A number of reliable evaluations have found that programs substantially reduced high school dropout rates. But many attempts at preventing high school dropout have not been successful.

⁶ Adelman, Nancy, Description and Research Findings About Education Programs for Adults and At-Risk Youth, Policy Studies Associates, 1991; Grossman, Jean, What We Know About Youth Programming, Public/Private Ventures, Draft, August 1993. Both of these papers review existing evidence and conclude that there is little quantitative evidence available on the long-term impacts of remedial education.

⁷ The Department of Education and Mathematica policy research are now conducting a large random assignment evaluation of dropout prevention programs. Discussions of preliminary (non-official) results from other recent Department of Education studies are included below.

- o Programs have had more success in increasing academic achievement than in retaining students in school. A number of programs have been able to document increases in achievement test scores for participants, but these increases have often not translated into reductions in the dropout rate.
- o It is difficult to make short-term gains last. A number of programs have shown a pattern of large improvements in attendance and academic achievement during the first year of the program. But these initial gains often disappear over the next few years.

Academic/Educational Programs

The Summer Training and Employment Program (STEP) provides remedial academic education, sex education, and summer jobs to disadvantaged youth aged 14 to 15. It is a large-scale demonstration program run in tandem with the JTPA Summer Youth Employment Program, serving as an academic component which youth participate in when they are not working at their summer jobs. STEP lasts for 2 summers. Each summer session lasts for 2 months and includes 110 hours of classes and 90 hours of part-time work. Over half of STEP enrollees report having failed one or more grades in school, and on average their reading skills are about one to two years behind their actual grade in school.

The academic impacts of STEP have been rigorously evaluated using an experimental design⁸. Short-term results for academic achievement were quite positive:

- o After two summers in STEP, students had gained an average of seven-tenths of a grade in reading and four-tenths of a grade in math more than their non-STEP counterparts.
- o Previous studies had found that "summer learning loss" -- a regression in test scores that occurs over the summer due to the break from school -- was a major problem for at-risk youth. A number of studies have found that disadvantaged students lose far more in academic achievement over the summer than other young people do⁹. STEP successfully countered this summer learning loss.

⁸ Grossman, Jean Baldwin and Cynthia Sipe, The Long-Term Impacts of the Summer Training and Education Program, Public/Private Ventures, 1992.

⁹ Heyns, Barbara, "Schooling And Cognitive Development: Is There A Season for Learning?," Child Development, 1987, Vol. 58, 1151-60.

- o These strong academic gains were achieved at a modest cost. For each student, STEP cost just \$600 more than the already existing summer jobs program. Total expenditure for the summer job and the STEP curriculum was about \$1,600 per student per summer.

But these positive STEP impacts did not seem to translate to improved school performance over the long run. STEP graduates were examined again at age 17 to 19, two to three years after leaving the program. By this time, they did not have higher graduation rates or grades than the control group. They were also no more likely to be working than control group members. Girls enrolled in STEP were just as likely to have had a child by age 17-19 as control group girls were, despite the sex education component of STEP.

STEP is successful in that it produces short-term academic gains at a low cost and prevents summer learning loss, but summer programs alone do not seem to be sufficient to improve the long-range educational prospects of disadvantaged students. In any case, the short-term, low-intensity nature of a program like STEP should probably not lead us to expect lasting impacts from it.

Looking back at the experience, researchers felt that the lack of effective school-year followup to the summer STEP experience was a major weakness in the program¹⁰. If effective follow-up programs to STEP can be designed to operate during the school year then summer programs may become a valuable part of a comprehensive strategy to improve school performance for disadvantaged youth.

Due to the success of the program in improving academic achievement, elements from STEP have been incorporated into the educational component of the Labor Department's Summer Youth Employment Program.

The Maryland's Tomorrow (MT) Program is of interest because it is a large-scale program that combined an intensive summer program (including summer jobs) with a school year follow-up. MT is a statewide program. During 1992, it served some 8,000 students at risk of dropping out in 80 schools at a total cost of \$9 million. Each program includes summer jobs for students, intensive academic instruction during the summer and the school year,

¹⁰ Walker, Gary and Frances Vilella-Velez, Anatomy of a Demonstration: The Summer Training and Education Program from Pilot through Replication and Post-Program Impacts, Public/Private Ventures, 1992. This post-program study stated that STEP "had weak or non-existent reinforcement mechanisms to connect the summer experience to the school year, or to other key aspects of [the students] lives."

career guidance and exploration, and counseling through adult mentors, peer support, or tutoring.

The first two cohorts of students entering the program have been tracked from 9th grade through high school graduation and compared to at-risk students in the same schools who entered ninth grade the year before the MT program was begun¹¹. They were also compared to at-risk students in other Maryland schools which did not implement the MT program¹².

Overall, MT was not successful in lowering the ultimate dropout rate for its first two cohorts of students. There is, however, some evidence that dropping out may have been delayed -- dropout rates of MT students were found to be lower than comparison group students during the 9th grade, but the rate increased to be equal to the comparison group by the end of the 12th grade.

On the more positive side, there is solid evidence that MT was successful in improving academic outcomes for participants. Participation in MT appeared to increase student likelihood of passing all the Maryland Functional Tests (a basic skills tests) by the end of the 12th grade from about 60% to 85%. Thus, MT appeared to produce large gains in academic achievement.

It should be noted that the outcomes of the program appeared to improve somewhat from the first to the second cohort enrolled. It may be unrealistic to expect a program to show dramatic success with the very first students it enrolls. As MT staffers gain more experience, future program results could improve.

California's Partnership Academies are small-scale, high intensity, "career academies" for students in grades ten through twelve who have low grades, poor attendance, and are seen as at risk of dropping out of school. In many academy models, students are also required to have standardized test scores no more than two years below grade level and a certain minimum level of motivation. Because of these requirements, the Academies probably do not serve the most troubled of the at-risk population. The schools are focused on such careers as electronics, health, computers, and finance, and include substantial input and mentoring from employers. If they meet certain academic and attendance requirements Academy students are also given summer internships in their career of interest.

¹¹ Moody, Mark et. al. Evaluation of the Maryland's Tomorrow Program Cohort I and II, Maryland State Department of Education, April, 1994.

¹² White, Thomas et. al. Maryland's Tomorrow Evaluation: Year Four, Pelavin Associates, February, 1993.

An evaluation has estimated that the Academies cut the high school dropout rate for participants in half, from about 14% for a comparison group to about 7% for Academy students¹³. The study also found a number of statistically significant positive effects, including somewhat better attendance and higher grades for Academy participants. The effects of the program varied markedly among the academies studied, with a number of schools having no positive impacts at all. This suggests that local factors strongly affect the success of the model.

Other evaluation evidence on Academies comes from a recent Department of Education demonstration program which funded studies of California Partnership Academies at two sites¹⁴. One of these sites found results similar to those above -- the dropout rate was cut roughly in half by the second year of the evaluation. The second site found no effect of the program.

The small sample size and the comparison group design of these evaluations means that these encouraging results should be taken as only approximate. But it seems likely that the program had positive effects.

A series of U.S. Department of Education demonstrations has produced reliable evaluation evidence on a number of high school dropout prevention programs¹⁵. Twelve high school sites will be discussed here¹⁶. Nine of the sites were random assignment, and the other three used a quasi-experimental approach with well-designed comparison groups. All of the sites used dropout

¹³ Stern, David et. al., "Benefits and Costs of Dropout Prevention in a Program Combining Academic and Vocational Education: Third-Year Results From Replications of the California Peninsula Academies", Educational Evaluation and Policy Analysis 11(4), 1989.

¹⁴ Hayward, Becky and G. Tallmadge, Evaluation of Dropout Prevention and Reentry Projects in Vocational Education, Draft Final Report, Research Triangle Institute, November, 1993. This draft report is not yet approved by the Education Department.

¹⁵ Hayward, Becky and G. Tallmadge, Evaluation of Dropout Prevention and Reentry Projects in Vocational Education, Draft Final Report, Research Triangle Institute, November, 1993. Rossi, Robert et. al. Evaluation of Projects Funded By the School Dropout Demonstration Assistance Program, Draft Final Evaluation Report, American Institutes for Research, March, 1994. These reports are preliminary drafts and not yet approved by the U.S. Department of Education.

¹⁶ These sites were chosen because the experimental designs were rigorous and the evidence was reliable.

prevention models with a vocational education dimension, and enrolled students beginning in the tenth grade or after. Most combined vocational counseling and skills training with individualized tutoring and academic help.

The nine random assignment sites can be separated into two groups. One set of four sites was located on Indian reservations in North Dakota and enrolled exclusively Native Americans. Programs at these sites faced very depressed economic conditions, often with unemployment rates of 75% or more, and experienced severe resource shortages which prevented them from fully implementing their intended models. The programs generally did include individual tutoring, some skills training and vocational guidance, and payments for school attendance. When findings from the four sites are grouped together, the results indicate no significant impact on dropout rates.

The other five random assignment sites were located in settings that ranged from urban schools in Detroit, Michigan to rural areas in Oconee, South Carolina. The models used in these sites varied, but they all included a strong vocational dimension (including vocational courses), and academic assistance.

When results from these five sites are grouped together, the evidence shows that a statistically significant reduction in dropout was achieved over all five sites combined. Over a two year follow-up period the programs reduced the average dropout rate from 29.2% for the control groups to an average of 19.8% for the treatment groups. This is strong evidence of the success of these programs in improving school retention rates.

Turning to specific programs, three of the sites appeared to be successful in sharply reducing the dropout rate over the evaluation period:

- o Two sites in Detroit and in Cushing, Oklahoma, provided supplemental counseling, special study materials, and intensive tutoring to students enrolled in area vocational-technical high schools. No work experience or mentoring was involved. Both of these sites were evaluated using a random assignment design. The Detroit project cut two-year dropout rates from 26% for the control group to 11% for the treatment group, while the Cushing project cut dropout rates from 22% to 10% over two years.
- o The Des Moines New Horizons program (not a random assignment site) was a school-within-a-school which provided paid after-school jobs, academic courses in small classes, and very intensive counseling to at-risk students. Both school attendance and performance at the after-school jobs was closely monitored, and students could only continue to hold jobs as long as they attended school regularly and made good

academic progress. The quasi-experimental evaluation estimated that the New Horizons program cut students' dropout rates over the three-year study period from 30% for a comparison group to 17% for treatment students.

Several other sites were not able to produce reductions in dropout rates for their students by the end of the two to three year evaluation period. However, one of these sites did appear to delay dropout significantly. The models used at these less successful sites did not appear to differ greatly from the others. They featured vocational training, basic skills remediation, small class sizes, and counseling.

It is difficult to generalize about the reasons why some of these programs succeeded and others did not. There was some tendency for programs which served more at-risk populations to have more difficulty in improving retention rates in high school. Also, a number of the more successful programs used models that had already been operating in their local school district for some time. For example, the New Horizons project was the oldest of the programs examined -- it had been in existence since 1968.

Employment Programs

The Department of Labor's Summer Youth Employment and Training Program (SYETP) provides minimum wage summer jobs and some remedial education to hundreds of thousands of disadvantaged young people aged 14 to 21.

Research indicates that SYETP is successful in greatly increasing the total summer job opportunities available to disadvantaged minority youth¹⁷. That is, public summer jobs do not simply attract youth who would have found other employment in the private sector. Using data on minority employment and SYETP placements in various states, researchers estimate that for every 3 SYETP jobs provided, 2 youth are employed who would otherwise not have worked that summer.

Other evaluation evidence comes from a recently completed survey of SYETP program participants and their employers¹⁸. Ninety percent of respondents (both participants and supervisors) reported that the work performed was useful to the employer. The survey also revealed a large unmet demand for the program.

¹⁷ Crane, Jon and David Ellwood, The Summer Youth Employment Program: Private Job Supplement or Substitute, Harvard University, March, 1984.

¹⁸ Findings based on unpublished information received from Westat, Inc. staff. This is a self-reported survey, so the results should be considered only suggestive.

Almost all of the programs visited recorded significantly more applicants than they could enroll. Twenty of the fifty total programs visited, including eight out of twelve central city programs, indicated that because of the lack of job slots they had been able to enroll fewer than half of those who applied.

Little is known about the effect of temporary employment on academic achievement or future employment success. We do know, though, that subsidized work experience alone has generally not been particularly successful in improving the employability of out-of-school disadvantaged youth once the subsidized work had ended.

The Youth Incentive Entitlement Pilot Project (YIEPP) was a demonstration active from 1978 to 1981 which guaranteed full-time summer jobs and part-time school year jobs to disadvantaged youth provided that they stayed in school. Disadvantaged youth aged 16 through 19 who had not graduated from high school were eligible for the program. All the jobs offered were at the minimum wage.

Like Summer Youth Employment, YIEPP seems to have greatly increased the total job opportunities available to disadvantaged youth. The evaluation estimated that employment rates among 16-18 year old disadvantaged African-Americans at program sites increased dramatically compared to what they would have been without YIEPP¹⁹. School year employment doubled from about 20% to about 40%, while summer employment increased from about 35% to about 45%. These minority employment rates under YIEPP were equal to those of whites in the same areas.

This dramatic increase in employment is encouraging. It indicates that these disadvantaged youth wanted to work and did work once they were given the chance. Government programs can be successful in dramatically improving attachment to the workforce among poor youth -- traditionally a group with extremely low levels of employment.

But the evaluation also found that YIEPP was unable to achieve one of its major goals -- increasing school enrollment and success. Researchers estimated that there was little improvement in school enrollment or high school graduation at program sites. The story on improving long-term employability is uncertain²⁰.

¹⁹ Farkas, George et. al., Post-Program Impacts of the Youth Incentive Entitlement Pilot Projects, Manpower Demonstration Research Corporation, 1984.

²⁰ A small but significant earnings gain was found for the 6 months after the program ended, but the short length of the follow-up combined with questions about the quasi-experimental design left many doubts about the validity and likely duration of

There is also some evidence that the increased availability of jobs may have helped to reduce childbearing among low-income blacks in the experimental areas, but more research is needed in this area²¹.

Programs for Out-of-School Youth

Skills Training Programs

Skills training programs for disadvantaged youth appear to be successful only when they are skillfully implemented or highly intensive. The majority of training programs for youth have not appeared to produce positive labor market effects.

JTPA Title II and CETA

Important evidence in this area comes from evaluations of two major Federal training programs, the Job Training Partnership Act (JTPA) and the Comprehensive Employment and Training Act (CETA). CETA was the major Federal job training initiative in the 1970s. CETA training was available to substantial numbers of 16 to 21 year old youth as well as adults. The major studies of the program's effects agree that CETA youth trainees had no earnings advantage over comparable non-trainees²². A few studies even found that CETA training seems to have had a negative impact on youth earnings. These disappointing results were found for both male and female youth.

In 1982 JTPA Title II replaced CETA as the major government training program. In 1992, JTPA enrolled 125,000 out-of-school youth aged 16 to 21²³. Slightly more than half of these were high school dropouts, and the vast majority were economically

the effect.

²¹ Olsen, Randall and George Farkas, "The Effect of Economic Opportunity and Family Background on Adolescent Cohabitation and Childbearing Among Low-Income Blacks", Journal of Labor Economics, 1990.

²² These studies are reviewed in Barnow, Burt, "The Impact of CETA Programs on Earnings", The Journal of Human Resources, Spring, 1987. Note that these CETA studies did not use random assignment, and their reliability has been questioned by many researchers.

²³ U.S. Department of Labor, 1993. 110,000 in-school youth are also enrolled in JTPA each year, but the evaluation findings discussed here relate only to out-of-school youth.

disadvantaged (under 125% of the poverty line)²⁴. The average length of time in the program for youth is 5 months, and an average of \$2,800 was spent per youth enrollee.

Results were recently released from a major experimental evaluation of JTPA. Between 1987 and 1989, over 20,000 applicants to the program at 16 sites were randomly assigned to either a treatment group which could make use of JTPA services or a control group which could not (but which could make use of non-JTPA training services)²⁵. The post-program earnings of the treatment group were compared to those of the control group in order to determine the labor market impacts of JTPA.

The findings for the youth training component of the program were discouraging. JTPA produced no statistically significant positive effects for out-of-school youths, either male or female²⁶. This finding held true over a two and a half year follow-up period, and for all the different service strategies that were used -- classroom training, OJT/job search assistance, or a mix of less intensive services. In addition, no reduction in youth crime rates or welfare receipt was found.

The one exception to this generally bleak picture was a pattern of slowly increasing earnings gains for female youth recommended for classroom training. The gradual increase in earnings over time is a pattern that is expected for classroom training. Over the year beginning 18 months after enrollment in JTPA, female youth referred to classroom training earned over \$700 more than control group members, a difference that was nearly statistically significant.

In part as a response to early results from this JTPA evaluation, Congress in 1992 enacted amendments to the program designed to increase the duration and intensity of youth training, as well as to correct other areas of weakness in the program. Since the evaluation discussed here examined the program's operation during 1987-89, the results do not reflect any of the 1992 program

²⁴ U.S. Department of Labor data.

²⁵ Bloom, Howard S. et. al. The National JTPA Study: Overview of Impacts, Benefits, and Costs of Title II-A, Abt Associates, February, 1994. Impacts on both adults and youth were examined in the study; the youth findings are discussed here and the adult findings in Section II below.

²⁶ The evaluation also provided some evidence, based on self-reported earnings, of a strong negative effect of program participation on the earnings of male youth with a previous arrest. However, an examination of actual UI earnings records did not support this finding.

changes.

The Job Corps

A youth training program that uses a very different model than the rather inexpensive, fairly short-term one used in JTPA Title II is the Job Corps. The Job Corps is by far the most intensive Federal training provided to any population. The severely disadvantaged nature of Job Corps students and the residential nature of the program make expenses of \$21,000 per service year (or an average per-student cost of \$15,000) necessary to implement the model²⁷.

As of 1993, Job Corps enrolls about 62,000 new youth a year, with total outlays of approximately \$970 million. The full Job Corps training program usually takes about a year to complete. However, the difficulty of the training and the strict code of conduct enforced in Job Corps centers cause a third of enrollees to drop out or be dismissed within the first 3 months²⁸.

Job Corps youth are more disadvantaged than the out-of-school youth in JTPA Title II. Over 80% of Job Corps enrollees are high school dropouts, and about three-quarters have never worked before coming to the Corps²⁹. Job Corps is a highly intensive, residential ("boarding-school" type) program that provides basic education, vocational skills, and a wide range of supportive services. Job placement services are also provided after completion of the program.

To examine the effectiveness of the Corps, a study of over 5,000 youth was completed in the early 1980s³⁰. The earnings, educational achievement, criminal records, and welfare dependency of Job Corps enrollees were compared to the records of a demographically similar comparison group who had not enrolled in

²⁷ The divergence between the costs comes from the program's high dropout rates. Students who complete the program take about a year at a cost of \$21,000, but the \$15,000 average includes those students who drop out.

²⁸ Outcomes for these dropouts are included in the evaluation discussed below.

²⁹ House Ways and Means Committee, 1993 Green Book, United States Congress, Washington, D.C. 1993.

³⁰ Mallar, Charles et. al., Third Follow-Up Report of the Evaluation of the Economic Impact of the Job Corps Program, Mathematica Policy Research, 1982.

the Job Corps³¹. These experiences were tracked for a period of four full years after graduation.

The evaluation found that Job Corps participation significantly increased earnings and educational attainment, while reducing welfare dependency and the incidence of serious crime among graduates. Specific findings included:

- o Earnings increases. Over the four years after graduating from the program, Corps enrollees earned on average over \$1,000 more per year than comparison group members, a difference of 15%.
- o Increased educational achievement. While only about 5% of comparison group members attained high school diplomas or GEDs, over 25% of Corps enrollees did. By the end of the followup period, Corps enrollees were also twice as likely as non-enrollees to attend college.
- o Increased employment and declines in government benefit payments. Corps participants were employed on average over 3 weeks more per year than comparison group members. They also required less government assistance, receiving an average of 2 fewer weeks of welfare benefits and 1 week less of unemployment insurance each year.
- o Declines in serious criminal offenses. Although Job Corps enrollment did not affect the overall arrest rate, it did reduce the incidence of felony crime among participants.
- o Savings for society. The intensive nature of the Job Corps program leads to high up-front costs, but the resulting benefits are estimated to substantially exceed the costs. When such benefits as the value of output produced at Job Corps centers, reduced government assistance, increased earnings, and reductions in serious crime are summed up, the study estimated that benefits to society from Job Corps training are about 45% greater than program costs.

The one major group that Job Corps was not found to significantly assist was disadvantaged single mothers. These women did not show significant earnings gains from Job Corps participation.

³¹ This study did not randomly assign participants to a treatment (Job Corps) and control (non-Job Corps participant) group. However, every effort was made to match Job Corps and comparison groups carefully on demographic and geographic variables, and to control for both observed differences and unobservable motivational differences between the groups. Because of this, the evaluation is generally accepted as reliable scientific evidence that Job Corps works.

The Job Corps program has undergone changes and improvements since this study was completed in the early 1980s. The curriculum and services provided have changed based on the additional decade of experience working with disadvantaged youth. These changes may well have improved the program's effectiveness. The Labor Department is now engaged in an experimental study to determine the current impacts of the program.

JOBSTART

JOBSTART was an attempt to replicate the successes of the Job Corps in serving severely disadvantaged high school dropouts, but in a much less intensive, non-residential setting³².

Although some of the techniques and curricula used in the program were similar to those used in Job Corps, the program was considerably less expensive. The average expenditure per program participant was about \$5,900, which is more than the \$2,800 per participant cost of JTPA youth programs but less than half the per-participant cost of Job Corps. On average, students spent just 60 hours per month in JOBSTART training, considerably less than the residential Job Corps sites are able to provide.

The 13 JOBSTART sites enrolled about 1,000 economically disadvantaged high school dropouts with low reading skills. This population is among the hardest to serve, and is considerably more disadvantaged than JTPA youth enrollees. The program provided a mixture of basic skills education, vocational training, some support services, and job search assistance after the end of the program. Average duration in the program was about 7 months.

The employment results from JOBSTART were generally disappointing. No significant increases in earnings or employment were found for either male or female participants. Participants were tracked for a four-year period after enrollment in the program. There was no significant increase in employment rates for the total period or any individual year³³. Furthermore, the program does not appear to have reduced welfare receipt for participants.

³² Cave, George, et. al., JOBSTART: Final Report on a Program For High School Dropouts, Manpower Demonstration Research Corporation, October, 1993. This document includes both a program description and evaluation results for all sites.

³³ Statistically insignificant earnings gains of about \$500 were found during the fourth year of the follow-up. However, these gains were not enough to counterbalance the earnings losses that occurred during the first year of the program, when participants had to forego work in order to engage in training.

The program did have some successes, though. It raised the educational attainment of its enrollees somewhat, as measured by the receipt of GEDs and vocational licenses. JOBSTART participation roughly doubled the chance of receiving such certifications, from about 15-20% for controls to roughly 35-40% for experimentals.

In addition, JOBSTART showed some ambiguous evidence of success in reducing crime rates. The full sample showed a small but significant reduction in the probability of arrest during the first year of the program, when participants were actually enrolled in training while controls were not. During this initial year 10.1% of JOBSTART participants were arrested, as opposed to 12.6% of the control group. But this effect rapidly faded out after they left the program. Over the full four year observation period the likelihood of arrest was essentially identical for both program participant and controls.

One key subgroup, men with an arrest prior to entry into the program, also showed some evidence of a positive employment effect. Earnings for these men were an average of \$1,500 higher in the fourth year after program entry, and their probability of arrest appears to have dropped somewhat due to JOBSTART³⁴. Some 75% of men with a prior arrest in the control group were arrested again within the four year observation period, while about 69% of similar JOBSTART participants were. This effect did not reach statistical significance, but this may be because the sample of men with a prior arrest was fairly small.

But the most striking bright spot in the program's results was the remarkable performance of one of the program's 13 sites -- the San Jose Center for Employment and Training (CET).

The San Jose CET Project

Founded in 1968, the CET provides 3-6 months of vocational training to disadvantaged youth and adults. CET's headquarters and largest site is in San Jose, but it currently operates training centers in 25 sites in three western states, with the majority in California. The program serves a fairly disadvantaged population; 65% of their 1991-1992 students were high schools dropouts, and over half were limited in their ability to speak English³⁵.

³⁴ JOBSTART earnings impacts are presented in current year dollars, which could be any year from 1989 to 1992. Costs are in 1993 dollars.

³⁵ 25th Anniversary Annual Report, Center for Employment Training, 1993.

The JOBSTART study found that youth in CET training showed sustained annual earnings gains of over \$3,000. Combining earnings gains from the third and fourth years after entry into the program, young CET participants earned over \$6,000 more than control group members, which was a 40% earnings increase. These are among the largest training effects ever recorded in a youth training program. When combined with CET's impressive performance in training minority single parents (see below), this program has an excellent record of achievement.

It is not known exactly how these results were achieved at CET. In terms of the length and cost of the program, CET was one of the shortest and cheapest of the JOBSTART sites. Youth were enrolled for an average of 4.1 months and spent 335 hours in training. Total costs per enrollee were \$4,200. However, the comparatively short stay in the program may have made CET a more intensive experience -- participants spent over 80 hours per month in training, well above average for all the JOBSTART sites.

The basic element that sets CET apart from other training programs is its strong focus on employment, a focus which is integrated into every element of their program. CET is distinguished by³⁶--

- o Close connections to the labor market. CET staff have extensive knowledge of local labor markets, which they use to determine which technical skills will be taught in their courses. In each new community CET enters, an industrial advisory board is set up to assist in skill selection and curricular review. CET courses are taught by experienced technicians from industry. Many area employers are also on their board.

The program also has a strong employment orientation, with an emphasis on job placement. Program staff use their many employer connections to help place their students after training is completed.

- o Integrated basic education and vocational skills training, with an emphasis on the latter. CET emphasizes job skills training over learning basic skills. The basic education provided is tightly connected to skills training. At entry trainees immediately begin vocational training designed to simulate a real job situation. If trainees have difficulty with basic reading or math during this training, they are given individual assistance on the spot by basic skills tutors present during the training. Instead of being taught academic skills through classroom instruction, students

³⁶ Personal communications with CET and Rockefeller Foundation staff.

learn them in the context of job training.

- o An individualized, open-entry open-exit program. The CET curriculum is tailored specifically to the needs of each individual student. Students are accepted on an open-entry basis, with no testing or other prerequisites for entry. This is similar to the Job Corps approach.
- o Highly experienced staff and extensive local knowledge. CET has been active in San Jose for over 25 years, and some of its staff have been working there for this entire period. Their long experience in the city has allowed the program to develop many contacts in the business community and earn an excellent reputation among employers. This reputation seems to help CET place its graduates.

CET training was successful not only in the JOBSTART demonstration, but in a separate evaluation of its ability to train minority female single parents, another group with serious barriers to labor market success. CET training produced annual earnings gains of over \$1,500 for these women.

Other Program Models

Subsidized employment has positive immediate effects, but by itself has not been successful in improving long-term earnings and employment for youth. This approach may prove more successful if combined with other services.

Many programs for disadvantaged youth provide temporary subsidized employment, both to improve their immediate employment status and in the hope that work experience alone -- even without skills training or later job placement assistance -- will make disadvantaged young people more employable in the future. The limited evaluation evidence that is available suggests that temporary employment programs without skills training probably bring little or no post-program benefits to disadvantaged youth. However, they do improve earnings during the program period, and there is also some slight evidence that combining temporary employment with training may bring greater results.

The Supported Work demonstration is the most extensive and well-evaluated experiment testing the effect of work experience on future employment prospects for disadvantaged youth³⁷. The demonstration provided a year of subsidized work experience in public and private sector firms followed by job placement assistance, and enrolled very disadvantaged high school dropouts. Participants showed higher earnings than controls during the

³⁷ Summary and Findings of the National Supported Work Demonstration, Manpower Demonstration Research Corporation, 1980.

subsidized employment period, but after the employment was over their success in finding work was no greater than the control group. There was also no reduction in welfare receipt found for youth who had gone through Supported Work, and crime rates among Supported Work clients did not decline, even while they were employed in subsidized jobs.

Similar results were obtained by the Alternative Youth Employment Strategies Demonstration, which provided 6 months of work experience and counseling to unemployed youth (mostly high school dropouts) referred by the juvenile justice system. No significant effects on employment were found 8 months after program exit³⁸.

However, the demonstration also tested an alternative model which combined 6 months of work experience with simultaneous classroom training. This model did have a large and significant impact on employment, raising the likelihood of being employed by about 20 percentage points (from 41% to 62%) for program participants 8 months after the end of the program. However, the short period of the follow-up and the substantial number of sample members who were not located for the follow-up survey mean that the promising results from this study are not definitive. Further research testing this approach would be a worthwhile investment.

Job placement and job search assistance programs have helped youth enrollees find jobs more quickly in many cases, but the evidence is mixed. In the late 1970s researchers tested the impact of job search assistance for out-of-school disadvantaged youth³⁹. Two programs were evaluated, Boston's Jobs For Youth program and the 70001, Ltd. program. Both created significant earnings gains of roughly \$900 annually for graduates during about the first year after intake into the program. These programs were unusually intensive for job placement programs. They included extensive counseling and up to 40 hours of job readiness classes, and in some cases provided follow-up services after youth were placed in their first jobs.

These successful job placement services accelerated the process

³⁸ Grossman, Jean-Baldwin, What We Know About Youth Programming, Draft, August, 1993, Public/Private Ventures. This conclusion is based on a reanalysis of the data in the original report by Sadd, S., et. al., Alternative Youth Employment Strategies Project: Final Report., Vera Institute of Justice, New York, N.Y., 1983.

³⁹ Public/Private Ventures, Longer-Term Impacts of Pre-Employment Services on the Employment and Earnings of Disadvantaged Youth, May, 1983. Betsey, et. al. Youth Employment and Training Programs: The YEDPA Years, National Academy Press, 1985.

Applying the Lessons -- The Case of School-To-Work

The lessons learned from program evaluation are useful not only in judging existing programs, but in the design of new ones. A good example is the case of the recently enacted School to Work Opportunities Act. This legislation addresses the increasingly poor job prospects of high school graduates who do not go on to college by helping states and localities create programs which assist students in completing high school and making a transition to a good first job. Lessons from existing programs have helped to inform the initiative.

A range of programs for at-risk youth and high school dropouts have demonstrated the importance of contextual learning in student achievement. Many academic programs teach skills in the abstract, without linking them to specific job skills. The contextual learning approach emphasizes learning academic skills in a "real-world" context that directly prepares students for work. Both the Job Corps and (especially) the San Jose CET project use this approach, and both have been successful in working with young dropouts. Career academies for students at risk of dropping out have brought this model directly into high schools by teaching academic skills using a career-centered curriculum. Research has found some success in improving dropout rates.

The contextual learning approach has been incorporated into the Administration's program. School-to-work builds linkages that connect academic skills to the real world of work. Students in these programs will be able to immediately practice the skills they learn in school in the hands-on context of work.

The success of community colleges in raising the earnings and improving the vocational skills of their students also has important implications for helping high school graduates. Several of the most promising school-to-work approaches build bridges between community colleges, high schools, and local businesses to help students with technical education and the transition to work. These programs provide training to high school students, and also encourage them to continue their education in community college after high school graduation.

of finding a job, but they didn't produce lasting gains in employment or earnings. One to two years after entering the program the participants' earnings were not significantly different from those of similar youth who hadn't participated.

The experiences with the programs above were positive, but job

search assistance for youth provided by the JTPA program has not had good results. JTPA youth recommended for a combination of job search assistance and on-the-job training did not show significant earnings gains as a result.

Programs for Young Single Parents

Several demonstration programs have attempted to address the needs of young (16 to 21 year old) single parents and help them to complete their education. The evidence indicates that training programs can be effective for this population, but effects are modest and not all programs have been successful. Programs that include strict mandates for participation have had the most success in improving outcomes for these young women, while voluntary interventions targeted at the most troubled teen mothers (those who had already left school and remained out for long periods) have had the least success. But the overall level of poverty and welfare receipt is disappointingly high even after participation in successful assistance programs.

Evidence from the Teenage Parent Demonstration indicates that a requirement for teenage mothers on welfare to participate in education, training, or employment can produce positive outcomes. The long-term effects of the program are still unknown, however. The Teenage Parent Demonstration operated on a large-scale and required all teen parents entering the AFDC program in the demonstration sites to enroll in school, job training, or find a job⁴⁰. Those who did not participate were sanctioned by reducing the AFDC grant by the amount normally allocated to the needs of the mother (about \$160 monthly in the demonstration sites) until they agreed to participate. Case management and support services were provided to participating mothers.

The program achieved very high participation rates (over 95%) and was successful in getting teenage mothers into school or employment. Two years after entering the program 79% of the program participants were in school, job training, or employment as compared to 66% of a control group of teenage mothers receiving AFDC who had not been required to participate in the Teen Parent Demonstration. Program participants showed a statistically significant \$300 increase in annual earnings and a similar reduction in the average amount of AFDC benefits received. There was no change in poverty; 85% of both participant and control groups were poor.

This demonstration encouraged teen parents to further their

⁴⁰ Maynard, Rebecca, ed. Building Self-Sufficiency Among Welfare-Dependent Teen Parents: Lessons from the Teenage Parent Demonstration, Mathematica Policy Research, 1993.

education as well as to seek employment. The two-year follow-up period was not long enough to assess the full positive impacts of these efforts. Future studies will examine the participants to see if labor market impacts grow more positive after school is completed.

Ohio's Learning, Earning and Parenting (LEAP) program has demonstrated that a mandatory program using welfare grant reductions, bonus payments and case management to enforce its requirements can increase the school enrollment and attendance of single parents. The program reduces the basic AFDC grant of teenage single mothers who do not attend either high school or an adult basic education program. The AFDC grant of mothers who do attend is increased. Case managers work closely with LEAP teens to monitor school attendance and help them with problems that arise.

Early results show that the LEAP approach has significantly increased school enrollment and attendance among participating mothers⁴¹. During the first two years of the program, it increased the likelihood of full-year school enrollment from 51% to 61% for teen mothers who were initially enrolled in school when the program period started, and increased re-enrollment in school from 33% to 47% for teens who had already dropped out⁴². LEAP was most effective for teens who were under 18 when they entered the program. It is too early in the evaluation period to tell about the effects on eventual graduation, but the early signs are encouraging.

Project Redirection has provided some evidence that suggests that intensive support services and mentoring for young single mothers on welfare can have modest positive impacts on their eventual employment outcomes and the well-being of their children. Project Redirection provided integrated educational, health, and welfare services to disadvantaged young (17 and under) single mothers⁴³. The single mothers were also paired with a mentor from the community. Some 40% of program participants were still

⁴¹ See Bloom, Daniel et. al., LEAP: Interim Findings on a Welfare Initiative to Improve School Attendance Among Teen Parents, Manpower Demonstration Research Corporation, New York, N.Y., May, 1993. This is a random assignment evaluation with a large sample size.

⁴² LEAP students enrolled in school attended at rates similar to control group students who were enrolled. Thus, the greater school enrollment for the LEAP sample also translated to greater total attendance.

⁴³ Polit, Denise, et. al. The Challenge of Serving Teenage Mothers: Lessons From Project Redirection, Manpower Demonstration Research Corporation, October, 1988.

attending high school at entry into the program.

This assignment did not use a randomly assigned control group, so effects should be viewed as only approximate. Five years after entry into the program participants showed no educational advantages over a comparison group. However, they were moderately more likely to be employed (16 weeks for project participants as opposed to 11 weeks for comparison group members). They were also somewhat less likely to be on AFDC. Their children were substantially more likely to be enrolled in Head Start. These results are positive but modest, and the overall levels of employment are still disappointing.

The New Chance demonstration was a voluntary program which demonstration enrolled 2,300 women at 16 sites, and provided 20 to 30 hours per week of basic education, job skills training, GED classes, and in some cases work internships⁴⁴. Clients could remain in the program for up to 18 months. New Chance participants were highly disadvantaged teen mothers, and 95% were high school dropouts. Most were in their late teens, and the average client had left high school an average of two and a half years before entering the program. These women were a somewhat more disadvantaged population than the teen mothers enrolled in the other programs discussed here.

Eighteen months after entry into the New Chance program, impacts were almost uniformly unsatisfactory. There was a significant increase in the receipt of the GED, but this was not accompanied by any improvement in any literacy test scores. There were no improvements in employment or welfare receipt. These outcomes may improve with time -- a number of New Chance participants were either still participating in some form of education or had recently been in school.

Residential Location and Youth Outcomes

A recent study of a Chicago housing program allows us to examine the impact of residence on education and employment outcomes for youth⁴⁵. Although this housing program was not designed as an education or training program, it appears to have produced impacts for youth that are substantially greater than any education program for disadvantaged youth yet evaluated.

⁴⁴ Quint, Janet, et. al. New Chance: Interim Findings on a Comprehensive Program for Young Mothers and Their Children, Manpower Demonstration Research Corporation, June, 1994.

⁴⁵ Rosenbaum, James, "Black Pioneers -- Do Their Moves To the Suburbs Increase Economic Opportunity for Mothers and Children?", Housing Policy Debate, June, 1993.

As part of a court settlement on desegregation (the "Gautreaux" case), the city of Chicago was required to provide housing vouchers that allowed poor black families from inner-city Chicago to move to white middle class suburban areas if they so chose. The program has been granting such vouchers since about 1980.

A group of researchers decided to test the impact of this move on the educational and employment outcomes of children in these families. The researchers hypothesized that moving out of racially segregated, extremely poor central city neighborhoods to majority white, middle class, suburban areas might have a strong impact on the educational fortunes of these young people.

In order to determine the impact of moving to the suburbs, the researchers compared two groups of families which had received Gautreaux housing vouchers. One group had been given vouchers which permitted them to move to mostly black, urban neighborhoods. Another group had been assigned vouchers for housing in the majority white, middle class suburban areas surrounding Chicago⁴⁶. The vast majority (close to 90%) of the families in both samples were single-parent families receiving AFDC. The groups were compared 7 to 13 years after moving to their new homes, when their children had reached the age of 18. One hundred families were compared, 60 in the suburbs and 40 in the city.

The impacts of the move to the suburbs appeared to be large and quite positive:

- o Only 5% of the youth in the suburban families dropped out of high school, as compared to 20% of those in urban families.
- o More than half of suburban youth were attending college, as opposed to just 20% of urban youth.
- o Three quarters of suburban youth were employed, while 40% of urban young people were. Suburban youth also received higher wages -- 21% of them earned more than \$6.50 per hour, while just 6% of urban youth did.
- o The employment level of the parents in the suburban families improved as well. About three-quarters of suburban parents

⁴⁶ The process by which locations are assigned is quasi-random. Families are assigned apartments based on their position on the wait list and which locations are available. Clients can refuse apartment offers but few do since it can be a long wait for another offer. The characteristics of suburban and urban movers (including the parents' AFDC receipt, education and employment) were very similar before they moved.

were employed, as opposed to just 65% of the city parents⁴⁷.

Despite the small sample size, almost all of these impacts were statistically significant (the only one that wasn't was the increase in the employment of the parents). This suggests that residence did have a substantial impact on achievement.

The research also interviewed the children and their parents to determine some of the reasons for the many benefits that seemed to result from moving to the suburbs. They found that the major reasons appeared to be better school quality, increased job availability, and improved physical safety. The physical safety factor is often not considered in discussions of employment for the disadvantaged, but the families in this experiment reported that the lack of physical safety in the city was demoralizing and interfered with the possibility of taking work.

⁴⁷ The sample size for this comparison was larger than the 100 families used to compare youth outcomes. 224 suburban parents were compared to 108 urban ones.

SECTION 3: PROGRAMS FOR DISADVANTAGED ADULTS

Between the youth training system for new entrants to the labor market and the re-employment system for displaced workers, there is also a set of programs for economically disadvantaged adults with only a sketchy work history. These adults are not only unemployed and economically disadvantaged, but generally lack eligibility for unemployment insurance benefits and training programs for displaced workers due to their lack of work experience⁴⁸.

Training programs for disadvantaged adults have generally been successful in improving earnings significantly for women, and have recently been found to produce significant earnings gains for men as well. Well-implemented adult training programs appear to be cost-effective investments for society.

Disadvantaged Adults Generally

Comprehensive Employment and Training Act (CETA) Training for Adults

A wide variety of Federally funded employment and training programs were active over the two decades prior to the passage of the Job Training Partnership Act in 1982. The largest was the Comprehensive Employment and Training Act, enacted in 1973. The employment services provided under CETA included public service employment, subsidized on-the-job training for the disadvantaged, classroom training, and subsidized work experience for very disadvantaged clients⁴⁹. At its peak in 1979, CETA served 3.8 million individuals (including those employed in public service jobs), at a cost of \$18.4 billion.

⁴⁸ For example, 85% of adult enrollees in Title II of the Job Training Partnership Act are ineligible for unemployment insurance due to lack of significant work history or the manner of separation from their previous job.

⁴⁹ The work experience element of the program differed from public service employment (PSE) and on-the-job training (OJT) in that it was targeted toward the most disadvantaged CETA clients as a form of training in the basics of the work world. PSE was not a training program, but was instead intended as direct job creation for the cyclically unemployed, while OJT was supposed to focus on skill development. PSE jobs were closer to "real jobs", while work experience focused on acclimation to the work world.

There is some consensus among the major CETA studies⁵⁰:

- o Positive impacts were found for adult women trainees. Adult women were estimated to earn roughly \$800 to \$1,500 more in annual income than they would have without program participation during the first year after exit from the program.
- o Evidence for adult men was ambiguous, but generally showed no significant earnings gains. Some (but not all) studies did estimate significant positive impacts for adult males participating in the on-the-job training component of the program, but estimated earnings gains were almost uniformly insignificant or even negative for men in other components.

It should be noted that CETA evaluation studies used methodologies that are not as reliable as experimental designs that have been used in more recent studies⁵¹. For this reason, the results above should be treated as only approximate.

Job Training Partnership Act (JTPA) Title II Training for Adults

The passage of JTPA in 1983 marked a shift in the training strategy of the Federal government. Unlike CETA, JTPA has no provision for adult public service employment and de-emphasizes work experience in favor of on-the-job training. It is also funded at a much lower level and serves fewer clients. In 1993 JTPA Title II, the section of JTPA that serves the disadvantaged, enrolled about 550,000 new participants (310,000 of whom were adults) at a cost of \$1.7 billion.

Ninety percent of JTPA Title II participants must be economically disadvantaged, which is defined as having a family income (exclusive of AFDC or Food Stamp payments) that is below roughly 125% of the poverty line over the 6 months prior to program entry.

⁵⁰ These studies are reviewed in Barnow, Burt, "The Impact of CETA Programs on Earnings", The Journal of Human Resources, Spring, 1987. See also Ashenfelter, Orley and David Card, "Using the Longitudinal Structure of Earnings to Estimate the Effect of Training Programs", Review of Economics and Statistics, 1985. This article compared the results of analyzing CETA evidence using a variety of different assumptions and model specifications. The findings of gains for women are robust across models, while findings for men are not.

⁵¹ See Fraker, Thomas and Rebecca Maynard, "Evaluating Comparison Group Designs With Employment-Related Programs", The Journal of Human Resources, Spring, 1987; Ashenfelter, Orley and David Card, "Using the Longitudinal Structure of Earnings to Estimate the Effect of Training Programs", Review of Economics and Statistics, 1985, 67(4):648-60.

Some 30% of adult JTPA trainees have not yet achieved their high school diploma, and 28% are AFDC recipients. As of 1993, the average JTPA adult trainee stays in the program for 4 months, and total training costs per adult are about \$3,300⁵².

The most common primary services received by JTPA adult trainees are classroom training (46% of enrollees), job search assistance (19% of enrollees), and on-the-job training (18% of trainees)⁵³. On the job training (OJT) consists of subsidized training that takes place as part of a paying job, generally in the private sector. JTPA pays half of the wage for up to six months, but the job is supposed to be permanent. Classroom training includes both occupational skills training in fields like clerical, food service, electronics, or home health care, as well as training in basic academic skills.

The major evaluation of JTPA, discussed in Section 2 above, examined the effects of the program on both youth and adults⁵⁴. The rigorous experimental design and the large sample sizes used in the study make its findings quite reliable.

The results of this study for adults are encouraging:

- o Higher earnings were found for adult men and women. Adult males and females who enrolled in JTPA had significantly higher earnings than those who did not⁵⁵. During the second year after leaving JTPA training, adult women who participated in JTPA had earnings an average of 15% higher than the non-JTPA control group, while adult males had earnings that were 10% higher. In dollar terms, this translated to annual earnings gains of over \$900 for both male and female adults.
- o These earnings gains were still growing at the end of the thirty-month evaluation period. Earnings of JTPA participants were only observed for a period of 30 months after program enrollment. But earnings gains grew steadily throughout this observation period, especially for the adult

⁵² U.S. Department of Labor, Employment and Training Administration, December, 1993.

⁵³ These are breakdowns of the primary services received. Being assigned to a primary service strategy does not preclude receiving other services as a supplement.

⁵⁴ Bloom, Howard S. et. al. The National JTPA Study: Overview of Impacts, Benefits, and Costs of Title II-A, Abt Associates, February, 1994.

⁵⁵ The results are more robust for women than for men.

male portion of the population. This gives reason to believe that the earnings of many JTPA participants will continue to increase in the future.

- o On-the-job training and job search assistance seemed particularly effective. One purpose of the study was to test the effectiveness of different training methods. Researchers found that adults designated for either on-the-job training or job search assistance showed annual earnings gains of over \$1,000 by the final year of the study⁵⁶. This represented gains of 13% for men and 17% for women. These payoffs were higher than those observed for classroom training, which was not effective for female participants.
- o Gains were especially large for AFDC recipients⁵⁷. Single parents receiving Aid to Families with Dependent Children (AFDC) who were recommended for OJT showed earnings gains of about \$2,000 annually.
- o Most earnings gains resulted from increased hours of work, not increases in wage rates. Four-fifths of the earnings gains for women and three-fifths of the earnings gains for men resulted from increases in hours worked, not wages.
- o The program was highly cost-effective. The total additional earnings for the participants were about 50% greater than the total additional training costs expended on that group compared to the control group. These gains were realized within 2 1/2 years after program enrollment.

The random assignment nature of the study and the large sample size makes its findings fairly trustworthy. However, there are a few caveats that should be kept in mind:

- o The study measures only the incremental benefits of JTPA. The study is not designed to measure the earnings impact of all education and training programs available to control and experimental groups, but only the additional impacts of JTPA training services beyond those available outside of JTPA. This means that members of the control group are free to use education and training services from non-JTPA programs, and over 30% of the entire control group did receive such ser-

⁵⁶ Not all adults recommended for these services actually received them. 52% of adult JTPA enrollees recommended for OJT/JSA received OJT, 35% received JSA, and 27% received other services. These categories are not mutually exclusive.

⁵⁷ Orr, Larry, et. al. Impacts, Costs, and Benefits of Title II-A, Abt Associates, 1994, forthcoming.

vices⁵⁸. Thus, the earnings impacts reported in the study represent only the incremental earnings effect of JTPA, not the total benefits accruing to the disadvantaged due to training services.

- o The JTPA program has changed since the period when the study was implemented. The evaluation took place before the JTPA amendments of 1992. These amendments increased the targeting requirements in the program and improved program coordination. The evaluation results do not reflect the effects of these amendments.
- o Doubts have been raised about how representative the study is of JTPA on a national level. The 16 study sites were chosen more on the basis of their interest in participating than on how well they represent the overall JTPA program. However, the sites are diverse geographically and ethnically, and their program data are very close to the national JTPA average⁵⁹.

Single Parents -- Welfare to Work

Single parents face special barriers in the labor market. Because of the responsibilities of child care, they often need supportive services such as day care in order to work. Many disadvantaged single parents receive AFDC benefits, which can influence the incentive to take a low-wage job.

The earnings prospects of AFDC clients are often quite poor. The median income of all female single parents in 1992 was only about \$12,000, and 35% of all female-headed families lived in poverty in that year⁶⁰. AFDC clients are even more disadvantaged than the typical single mother because of their low level of skills. The best estimates are that about half of 25-year old AFDC recipients in a given year do not have a high school degree.

⁵⁸ The National JTPA Study: Draft Overview of the Final Report, Abt Associates, 1993. It should be noted that at the time individuals were assigned to the control group they were informed of alternative, non-JTPA training programs that they could use. This means that this control group may have been greater users of non-JTPA training services than a purely random group of JTPA applicants.

⁵⁹ Bloom, Howard, "The National JTPA Study: Origins, Objectives, and Issues of Interpretation", Evaluation Forum, Issue 9, Summer, 1993.

⁶⁰ U.S. Department of Commerce, Bureau of The Census, Current Population Reports, Series P60-184 and Series P60-185.

According to a national survey that administered basic skills tests to 13,000 young adults, just 15% of 25-year old AFDC recipients scored above average in basic skills⁶¹.

Such low skills translate to low expected earnings even if AFDC recipients do work. These low expected earnings should be kept in mind during the discussion below. Even when programs for disadvantaged single parents succeed by producing earnings gains, these gains have rarely sufficed to lift the participants out of poverty. However, the addition of newly expanded EITC benefits may improve this situation. By 1996 the EITC will add up to an additional \$4 to every \$10 earned by very low-income single mothers, an addition which will make it easier for successful training programs to raise single-parent families above poverty.

Voluntary Programs

A number of programs have offered disadvantaged single parents the chance to enter some form of job training voluntarily. Among these is the JTPA program, which enrolls a substantial number of single parents and AFDC recipients. Such clients make up almost 40% of adult female JTPA recipients.

The voluntary training method which has produced the largest earnings gains for single parents has been subsidized employment. In subsidized employment and "supported work" models, clients are provided with up to one year of paid work experience in a productive job.

Two major social experiments -- the Supported Work Demonstration and the Home Health Aide Demonstrations -- provided about a year of subsidized employment to single parents who were long-term welfare recipients. The Supported Work demonstration included extensive support services, and was quite expensive. The Home Health Aide demonstrations placed their clients for a year of supported work with private home health aide agencies, and also provided some classroom training in work skills to prepare clients for their new jobs. Support services provided in the Home Health Aide experiment were much less intensive than those in the Supported Work program, and the program was only about half the cost of Supported Work. Experimental evaluations of these demonstrations have encouraging findings:

- o Both programs produced initial earnings gains averaging about \$1,500 to \$2,000 annually. A year and a half to two years after exit from subsidized employment, participants in the Supported Work demonstration were earning on average about \$1,700 more annually than control group members did,

⁶¹ Burtless, Gary, The Employment Prospects of Welfare Recipients, draft paper, The Brookings Institution, April, 1994.

and received about \$500 less in welfare⁶². The Home Health Aide demonstrations produced significant earnings gains for participants in 5 out of 7 states in which they were carried out. During the first and second years after program exit these gains averaged about \$2,000 annually⁶³.

- o There is evidence that some gains are sustained over many years. A recent reanalysis of the earnings of participants in the Supported Work demonstration tracked the earnings of program participants for 8 years after exit from the program⁶⁴. The study found that during the 6th through the 8th year after graduation annual earnings were an average of \$900 higher than they would have been without program participation. Sustained gains were also found for participants in the Home Health Aide demonstrations, who on average earned an additional \$500 annually during the fourth to fifth years after exit from the program⁶⁵.
- o Both programs marginally reduced welfare receipt, but overall receipt was still high. Three years after entry into Supported Work, 64% of participants were still receiving at least some welfare payments, while 71% of the control group were. Three years after the beginning of the Home Health demonstration, participants in 4 out of the 7 states in which the experiment was conducted were receiving significantly less welfare on average than the control group. Reductions in average annual welfare receipt ranged from about \$500 to \$1,000.
- o The programs were cost-effective. The Supported Work program produced benefits of at least 1.5 times the cost, and the Home Health Aide demonstrations produced social benefits in 6 out of the 7 states in which they were carried out⁶⁶.

At the same time, however, the limits to these interventions are

⁶² Gueron, Judith and Edward Pauly, From Welfare to Work, Russell Sage Foundation, 1991. Table 5.1.

⁶³ Bell, Stephen and Larry Orr, "Is Subsidized Employment Cost-Effective for Welfare Recipients?" Journal of Human Resources, Winter, 1994.

⁶⁴ Couch, Kenneth, "New Evidence on the Long-Term Effects of Employment Training Programs", Journal of Labor Economics, 1992.

⁶⁵ Unpublished analysis by economists Stephen Bell, Larry Orr, Glen Cain, and John Blomquist of Abt Associates. A five-year period was examined here.

⁶⁶ Bell, Stephen and Larry Orr, op cit.

worth mentioning. The programs did not show much success in reducing the overall poverty rate among participants. In part, this was because reductions in welfare benefits accompanied increased earnings. But it was also because the average base earnings for this population are so low.

There is also substantial evidence that on-the-job training (OJT), a less intensive form of subsidized employment than that used in the above demonstrations, produces benefits for welfare mothers. As noted, OJT produced strong earnings gains of almost \$2,000 annually for single-parent welfare recipients in the JTPA evaluation. In addition, OJT programs for AFDC recipients in Maine and New Jersey produced significant increases in annual earnings⁶⁷. Altogether, there is a compelling case for the effectiveness of a subsidized employment approach in helping this population.

Another program that tested voluntary training services for single parents was the Minority Female Single Parent Demonstration. This demonstration offered job skills training, basic education, and supportive services to about 4,000 minority single parents at four sites. Two thirds of the enrollees were welfare clients.

Only one site out of the four produced consistently positive results. This was the San Jose Center for Employment and Training. The nature of the CET program, which integrates basic skills training into a vocational skills curriculum, was described in the youth section above. Women enrolled in this training had average annual earnings gains of over \$1,500 during the second year after program exit. These gains were sustained - during the fifth year after entry into the program CET graduates were still earning an average of \$1,000, or 16%, more than control group members⁶⁸.

The other three demonstration sites were not as successful as CET in raising earnings. While some earnings gains were found, they were too small to be statistically significant. The other sites had a training curriculum which placed less emphasis on vocational skills than CET's did, and evaluators felt that this was one reason for the difference in success.

Welfare to Work -- WIN and JOBS programs

Over the past 20 years many states and localities have operated

⁶⁷ Gueron, Judith and Edward Pauly, From Welfare to Work, Russell Sage Foundation, 1991.

⁶⁸ Fifth-Year Employment Impacts at CET, Mathematica Policy Research, 1993.

programs that provided job search, basic education, and support services to help AFDC recipients move from welfare to work. Participation in these programs was often mandated for AFDC participants considered to be ready for work⁶⁹. This mandatory quality distinguishes them from the voluntary programs for single mothers discussed above.

During the early 1980s under the Work Incentive (WIN) program, some states provided mostly job search and unpaid work experience. The Family Support Act of 1988 expanded the welfare-to-work effort and created the JOBS program. Under JOBS basic education and training have been made available to some recipients along with extensive job search assistance. JOBS has also increased Federal funding for supportive services to those leaving welfare for work.

The effectiveness of these programs in raising earnings and reducing welfare reliance among the eligible population has been rigorously evaluated using large samples and random assignment experiments⁷⁰. The general conclusions that can be drawn from these evaluations are:

The programs usually produce modest earnings gains. A large number of programs -- the Baltimore Options program and the San Diego SWIM program during the mid 1980s, and later JOBS programs like the GAIN program in California and Florida's Project Independence -- have been found to produce modest but significant gains in earnings and employment for participants⁷¹. These moderate gains have been found for many populations of AFDC recipients -- long-term welfare recipients as well as those who had just entered the rolls, single mothers in their early 20s as well as older welfare recipients.

⁶⁹ Despite the fact that they were mandated, these programs typically affected only a minority of the AFDC population in a state or locality.

⁷⁰ The JTPA Title II evaluation results are also relevant here, since some JOBS training takes place in the JTPA program. As noted above, JTPA training was especially successful for AFDC women.

⁷¹ Riccio, James et. al. GAIN: Benefits, Costs and Three-Year Impacts of A Welfare to Work Program, Manpower Demonstration Research Corporation, 1994. Kemple, James J. and Joshua Haimson, Florida's Project Independence: Program Implementation and First-Year Impacts, Manpower Demonstration Research Corporation, 1993. Friedlander, Daniel and Gayle Hamilton, SWIM: A Five-Year Follow-Up Study, Manpower Demonstration Research Corporation, 1993. Gueron, Judith and Edward Pauly, From Welfare to Work, Russell Sage Foundation, 1991.

Average earnings increases have usually ranged from about \$300 to \$700 per year for the entire population of eligible clients, even though only about half to two-thirds of program eligibles generally receive services⁷². Some sites have been more successful. For example, participants in the Riverside County program in California increased their average annual earnings by over \$1,000, or almost 50%. These gains are mainly due to increases in employment, not to a rise in wage rates.

Longer-term studies have found that these gains generally "fade out" after about five years⁷³. This seems to indicate that the main effects of the programs are in speeding up a return to work that would eventually have occurred even without intervention.

AFDC receipt also tends to decline somewhat. Participation in San Diego's SWIM program resulted in an average annual reduction of about \$500 to \$600 per year during the first three years after program enrollment. The GAIN program created an average drop in AFDC payments received of about \$350 annually in the three years after program entry. These declines were statistically significant.

Welfare-to-work programs are often cost-effective. The SWIM program, for example, produced savings to government in reduced AFDC benefits and increased tax payments which totaled more than twice program costs. California's GAIN program produced mixed results -- programs in three of the six counties examined produced savings to government and society, while the other three counties did not. This finding applies to the first three years after program entry; a longer follow-up period may produce greater results.

But overall levels of poverty, welfare receipt, and unemployment remain high even after participation in welfare to work programs. For example, three years after entry into California's GAIN program, 80% of those who had participated had annual incomes

⁷² Those who do not receive services may also be affected by the program, though -- eligible clients may be motivated to get off welfare in order to avoid complying with mandatory welfare-to-work requirements. Also, some eligible persons don't receive services because they find work before entering the program. These persons may not need program services.

⁷³ Friedlander and Hamilton, op. cit., Friedlander and Burtless, forthcoming, Russell Sage Foundation. The one program that was found to have effects lasting 5 years or beyond was the Baltimore Options program. Long-term results from many other programs are not yet available though.

below the poverty line⁷⁴. This was quite close to the 83% poverty rate among the control group. Just 40% of GAIN participants worked at all during the third year after program entry -- significantly higher than the 34% of the control group who were working, but still a minority of clients.

Even in the Riverside County GAIN program, generally considered to be one of the most successful welfare-to-work efforts ever evaluated, only 23% of the participants were still employed and off AFDC at the end of the third year after entry into the program. This was significantly more than the 18.4% of the control group who achieved this outcome, but it is a sobering reminder of the difficulty of helping recipients off AFDC and into jobs over an extended period of time⁷⁵.

The general lesson is that welfare-to-work programs must be complemented by other strategies in order to lift AFDC families out of poverty. The recent increase in the EITC, which was not reflected in these studies, will help this situation by increasing rewards to work.

More work-oriented programs have so far shown better employment results than programs that focus on classroom basic education. Programs that emphasize placement into work and the immediate development of job-relevant skills through job search, on-the-job training, and vocational skills training have had more success than programs that use extensive classroom basic education.

An example of such a work-oriented program is the Riverside County GAIN program, which focuses many services on the goal of rapid job placement. This was the most successful of the California welfare-to-work programs, producing an average annual earnings gain of over \$1000, or 40%, for eligible AFDC clients in the third year after entry into the program. About 67% of the Riverside GAIN participants worked at some point during the three years after entry into the Riverside program, as opposed to just 53% of the control group.

In contrast to the experience of this work-oriented program, an evaluation of the basic education component of the GAIN program estimated that those counties which had put a priority on basic education had often not succeeded in raising the earnings, employment, or even the literacy levels of basic education participants. Four counties did significantly increase the proportion of clients who had attained their high school

⁷⁴ Riccio, James, et. al. ibid. The income measurement used included Food Stamps, AFDC payments, and earnings, but not taxes or the EITC.

⁷⁵ Riccio, James et. al. ibid.

equivalencies, but only one of the counties was able to actually increase literacy skills as measured in standardized tests.

Furthermore, in most cases these increases in literacy skills and educational attainment did not translate into gains in earnings or employment⁷⁶. By the third year after enrollment in the GAIN program, only one out of the four counties where participants had shown significant gains in educational attainment had produced significant earnings gains for their basic education participants. The county in which literacy scores were raised also showed no significant impacts on earnings or employment for basic education participants.

⁷⁶ Riccio, James et. al., ibid.; Martinson, Karin and Daniel Freedlander, GAIN: Basic Education in a Welfare-to-Work Program, Manpower Demonstration Research Corporation, January, 1994.

SECTION 4: OTHER SOURCES OF EDUCATION AND TRAINING

A number of post-secondary educational institutions are important to the success of training in this country. Much of the actual vocational training and basic education funded through government programs is delivered through such institutions as community colleges and basic education/GED programs⁷⁷. For example, long-term training for displaced workers is frequently carried out through community colleges, and many welfare-to-work programs emphasize adult basic education in their curricula. Employers themselves also provide considerable amounts of training to their workers.

Evidence on basic education and GED programs, higher education institutions (community colleges and 4-year schools), and formal training provided through the workplace is reviewed below.

Adult Basic Education and GED Programs

Many adults lack the basic skills needed to prosper in today's economy. In 1991, 11% of all adults had less than 12 years of education, and an estimated 6% of adults had limited proficiency in the English language⁷⁸. A recent Department of Labor study based on literacy tests of a random sample of DOL program participants estimated that some 40% of unemployed workers served had low levels of literacy that handicap them in today's competitive workplace, and found that such workers earn less and are unemployed longer than their more skilled counterparts⁷⁹.

Some solid evidence indicates that basic skills mastery leads to higher incomes and more employment. Harvard and MIT researchers have used survey data to analyze how mastery of one basic skill - mathematics -- affects earnings and employment⁸⁰. They

⁷⁷ Hansen, Janet S., ed., Preparing for the Workplace: Charting A Course for Federal Postsecondary Training Policy, National Research Council, Washington, D.C., 1993.

⁷⁸ Education figure is from the Statistical Abstract of the United States, U.S. Department of Commerce, 1992. The limited English proficiency figure is from the 1990 decennial census.

⁷⁹ Beyond the School Doors: The Literacy Needs of Job Seekers Served by the U.S. Department of Labor, U.S. Department of Labor, 1993.

⁸⁰ Murnane, Richard, John B. Willet and Frank Levy, The Growing Importance of Cognitive Skills in Wage Determination, Unpublished draft, 1993. Note that this study does not correct for unobservable differences between high and low achievers in

examined the graduating class of 1980 and found that 6 years after high school graduation individuals with a strong knowledge of basic (8th grade) mathematics received hourly wages that were on average \$1.40 to \$1.70 higher than otherwise similar individuals with poor mathematics knowledge. These estimates adjusted for the effects on wages of family background and any further education received. Even when only those students who had not received any further education were examined, there was a substantial premium for mastery of basic skills. Moreover, this premium has been growing over time: it was significantly higher for the graduating class of 1980 than for the class of 1972.

But the paper also concluded that basic skills investments seem to take a long time to pay off -- two years after high school graduation no premium for basic skills mastery was evident; six years after graduation it was quite large.

A variety of programs address the problem of basic skills education, ranging from workplace literacy programs to classroom training in basic skills to adult basic education and high school equivalency programs. These programs serve a substantial number of persons. For example, the Education Department has recently estimated that about 1.8 million new clients enter various adult basic and secondary education programs each year. However, few clients stay for very long -- 36% leave before completing 12 hours of instruction, and only about 40 hours of instruction are received by the median client⁸¹.

Unfortunately, there is little reliable evaluation evidence on these programs. A number of studies have been done, but the evidence they provide is for the most part only suggestive.

The GED

Perhaps the most important findings in this area examine the earnings impacts resulting from receipt of the General Equivalency Diploma (GED), the nation's most common high school equivalency certification for adults. GEDs account for about 15% of the flow of new high school graduates nationally⁸². Basic education programs frequently have GED receipt as a major goal for their participants, and such receipt is often used as an

mathematics.

⁸¹ National Evaluation of Adult Education Programs, Second Interim Report, Development Associates, September, 1993. These figures include English as a Second Language (ESL) students.

⁸² Cameron, Stephen and James Heckman, "The Nonequivalence of High School Equivalents," Journal of Labor Economics, January 1993.

outcome measure in evaluating these programs.

There is still some debate on the labor market impacts of the GED, and further research is needed. But there is mounting evidence that GED preparation serves a credentialing function rather than a training function. That is, the GED may simply serve a gatekeeping function as a necessary credential for further education, and GED test preparation itself does not seem to meaningfully improve participants skills. This is not surprising given the low level of preparation that often goes into taking the test. A 1989 survey found that 75% of candidates spend 100 hours or less preparing for the test⁸³. Researchers have also observed that the GED curriculum appears to "teach to the test", focusing mainly on test-taking skills and other items useful mainly in passing the GED itself⁸⁴.

A series of studies using national survey data indicates that the GED itself may not have a strong positive effect on earnings⁸⁵. In raw earnings, GED recipients make considerably less than high school graduates, showing that the degree is not a "high school equivalency" in this sense. However, they do earn about 10% to 15% more than high school dropouts⁸⁶. Researchers estimate that this positive earnings effect of GED receipt comes from two factors:

- o GED recipients are more talented (as measured by achievement test scores and other indicators) than other high school dropouts even before they enter GED training courses. They also tend to have completed more years of high school than other dropouts. This effect accounts for at least half of the economic benefit accruing from the GED⁸⁷.

⁸³ GED Profiles: Adults in Transition, GED Testing Service of the American Council on Education, Washington, D.C., September, 1990.

⁸⁴ Quinn, L. The Test That Became An Institution: A History of the GED, Unpublished Paper, Employment and Training Institute, University of Wisconsin-Milwaukee, 1993.

⁸⁵ Cameron, Stephen and James Heckman, "The Nonequivalence of High School Equivalents," Journal of Labor Economics, January 1993. Cameron, Stephen, Assessing High School Certification for Women Who Drop Out, unpublished paper, 1994.

⁸⁶ Cameron and Heckman, ibid; Cameron, ibid.

⁸⁷ There is some evidence that when longitudinal data is used to take unobservable differences into account, this effect may be responsible for almost all of the earnings benefit from the GED. See Cameron, ibid.

- o The GED degree gives students access to additional education and training programs which require a high school equivalency. Research shows that there is a significant positive effect of GED receipt on the amount of future training received from employers and other private sources⁸⁸. GED recipients receive on average about twenty (for males) to thirty (for females) hours more training per year than comparable individuals who do not receive the GED.

After proxies for innate ability are taken into account, current research estimates that those GED recipients who do not go on to participate in higher education have earnings essentially the same as comparable high school dropouts. Thus, the GED seems to certify already existing differences between GED recipients and other dropouts, and to provide access to higher education for those who receive certification. But the GED does not appear to represent education that in itself can improve labor market prospects. Since only a minority of GED recipients do in fact go on to further education, it seems that the utility of the degree may be limited for many.

The credentialing function of the GED is a useful one, and should not be disparaged. It is certainly an important degree to have available for those persons who need to quickly certify their basic skills. However, many high school dropouts appear to need an education system that emphasizes intensive training and the improvement of skills.

Furthermore, to the extent that the GED provides a less time-consuming route to high school certification, it may tempt some students to drop out of conventional high school and obtain GEDs instead. This could be, as one article put it, "a mistake with drastic consequences for future earnings."⁸⁹

Other Basic Education Programs

We are not aware of much reliable evidence on the outcomes of other adult basic education programs.

An evaluation of the GAIN welfare-to-work program in five California counties examined AFDC recipients in classroom basic

⁸⁸ Murnane, Richard et. al. Does Acquisition of a GED Lead to More Training for High School Dropouts?, Harvard University, December, 1993. Murnane does not investigate how much of this positive effect is due to self-selection -- those who are motivated to obtain further training are probably more likely to get the GED.

⁸⁹ Murnane et. al., op cit.

skills training and found mixed results⁹⁰. Although significant positive impacts of basic education on literacy levels were found in one county, and an increase in GED attainment was found in four counties, significant positive impacts on earnings or employment were rare. Only one county showed significant increases in earnings for its basic education participants by the third year after entry into GAIN. The county which improved literacy skills was not successful in producing earnings gains for basic education graduates.

The evidence on workplace-based basic skills programs is more positive than that for classroom training, but it is sketchy. Workplace-based programs attempt to teach literacy skills at the work site, often providing "contextual learning" that integrates literacy training with work tasks⁹¹. A 1989 study of a workplace basic skills program for educationally disadvantaged youth found that program graduates showed earnings and employment patterns comparable to those of more educated workers⁹². This finding indicates that the program succeeded in rectifying the educational deficiencies that it was designed to address. However, the study covered only a few hundred employees in a single workplace.

Higher Education -- Community Colleges and 4-Year Colleges

Higher education confers large economic advantages. In 1992, the median earnings of males with 4-year college degrees were \$36,700, men with 2-year associate degrees earnings earned \$30,000, but high school graduates earned just \$22,800⁹³.

At first blush it is unclear how much of these earnings differences are due to innate differences in the individuals receiving education, instead of the effect of education itself. A recent study by researchers from Harvard and Princeton examines

⁹⁰ Martinson, Karin and Daniel Freedlander, GAIN: Basic Education in a Welfare-to-Work Program, Manpower Demonstration Research Corporation, January, 1994; Riccio, James et. al. GAIN: Benefits, Costs and Three-Year Impacts of A Welfare to Work Program, Manpower Demonstration Research Corporation, 1994.

⁹¹ Note that this bears some similarity to the successful approach used at the San Jose CET project.

⁹² Hargroves, Jeanette S. "The Basic Skills Crisis: One Bank Looks at its Training Investment," New England Economic Review, September/October 1989.

⁹³ Bureau of Labor Statistics, Current Population Survey. The figures are for all males age 25 or older; 1992 dollars.

this question⁹⁴. This paper uses longitudinal data on earnings combined with detailed information on family background, academic achievement in high school, and ability test scores to determine the impact of an additional year of post-secondary education on earnings adjusting for the effects of ability and family background⁹⁵.

The basic findings from this study are:

- o Much of the higher income of college graduates seems to be a result of education -- it is not due to pre-existing differences between people who do go to college and people who don't. College students tend to come from more privileged families or have more innate ability than those who don't go to college. But researchers have estimated that even after adjusting for differences in ability and family background, the average worker with college experience earns about 5% to 10% more per additional year of college courses completed than an otherwise similar high school graduate.
- o Both community colleges and 4-year colleges have similar payoffs per year of education completed. Community colleges provide mostly vocational education -- fully two thirds of community college students major in vocational areas, as opposed to just 5% of those in 4-year schools⁹⁶. Despite this difference, income gains per year of education completed are essentially the same for 2-year and 4-year colleges.
- o Even students who did not complete degrees enjoyed substantial income gains. Substantial earnings increases

⁹⁴ Kane, Thomas J. and Cecilia Rouse, Labor Market Returns to Two and Four-Year College: Is a Credit a Credit and do Degrees Matter?, Working Paper #311, Industrial Relations Section, Princeton University, January, 1993.

⁹⁵ Another recent study of the same data by W. Norton Grubb resulted in different conclusions than the study summarized here. However, a reanalysis of his data has shown that this difference can be accounted for by errors in coding. See W. Norton Grubb, "The Varied Economic Returns to Postsecondary Education: New Evidence From the Class of 1972", Journal of Human Resources, Volume 28, Number 2, 1993; and the reply to it in Kane, Thomas and Cecilia Rouse, "Comment on W. Norton Grubb", Preliminary Draft, August, 1993.

⁹⁶ National Assessment of Vocational Education Interim Report to Congress, Office of Educational Research and Improvement, U.S. Department of Education, Washington, D.C. 1993.

appear to result from post-secondary credits whether or not students complete formal degree programs. Even students who dropped out before degree completion show earnings gains commensurate to the number of years that they completed⁹⁷.

Other current work has found even larger earnings gains from higher education after controlling for differences in innate ability and correcting for error in self-reported schooling variables. A 1992 study by Princeton researchers examined the education and earnings of twins growing up in the same family, who obviously have similar backgrounds and identical genotypes⁹⁸. Even for twins, differences in education led to substantial differences in earnings -- on the order of 10 to 15% per additional year completed. Another study, which examined only families where the parents had not themselves attended college, estimated that children in these families gain approximately 10-14% in additional annual earnings for each year of 4-year college attended⁹⁹.

Not only are returns to higher education large, but they have been increasing rapidly. In the United States the gap between the median income of male college and high school graduates doubled from about 40% in 1979 to roughly 80% in 1992¹⁰⁰. Increases in the rewards to education are taking place in other advanced nations (although they are smaller in magnitude).

Employer-Provided Training

Employers themselves are a major source of training for their workers. Although the available data is not very reliable, the best estimates are that about \$40 billion to \$50 billion annually

⁹⁷ Besides the Kane and Rouse study, another article that supports this conclusion is Hollenbeck, K. Post-Secondary Education as Triage: The consequences of postsecondary education tracks on wages, earnings, and wage growth, W.E. Upjohn Institute for Employment Research, April, 1992.

⁹⁸ Ashenfelter, Orley and Alan Krueger, "Estimates of the Economic Return to Schooling from a New Sample of Twins," National Bureau of Economic Research Working Paper #4143, August, 1992.

⁹⁹ Card, David, "Using Geographic Variation in College Proximity to Estimate the Return to Schooling", National Bureau of Economic Research Working Paper #4483, October, 1993.

¹⁰⁰ Census Bureau data comparing the median income of all males aged 25 or older who were high school graduates only to all males 25 or older who graduated 4-year colleges.

is spent on the formal provision of training by American companies¹⁰¹.

In recent years many states have moved to encourage this type of training through the provision of grants to firms in order to train their workers. The goal of these policies is to increase employer investments to upgrade the skills of their workforce, thus boosting firm productivity. Workers who participate in the training should also be helped, since their increased skills will make them more valuable to employers.

There is evidence that these government subsidies can be successful in encouraging companies to provide additional formal training to their workers. Increased training has, in turn, been found to increase company productivity:

- o A survey of 157 small manufacturing firms in Michigan who received training grants from the state government estimated that the subsidies led the firms to roughly triple the amount of training they provided to their workers in the year they received the grant¹⁰².
- o The Michigan researchers also estimated that the additional training provided by manufacturing firms significantly reduced the rate at which output had to be scrapped.
- o A study of formal training programs in 155 manufacturing firms found that those firms introducing training programs in 1983 had a productivity growth rate over the next three years that was an average of 19% greater than firms which did not¹⁰³. Firms introducing training programs generally began with a productivity level below the industry average, but within three years of introducing training they had brought their productivity level up to industry standards¹⁰⁴.

¹⁰¹ U.S. Congress, Office of Technology Assessment, Worker Training: Competing in the New International Economy, OTA-ITE-457, Washington, D.C., September, 1990. These estimates include only formal training programs. Informal on-the-job training is not included.

¹⁰² Holzer, Harry et. al., "Are Training Subsidies for Firms Effective? The Michigan Experience," Industrial and Labor Relations Review, November, 1993.

¹⁰³ Bartel, Anne, "Productivity Gains from the Implementation of Employee Training Programs", Industrial Relations, forthcoming.

¹⁰⁴ The effects of "reversion to the mean" were controlled for in examining the impacts of training.

A number of studies also suggest that formal company-provided training can have significant positive effects on the future earnings of workers who receive it¹⁰⁵. Researchers have generally found that employer-provided training increases worker earnings significantly, although the exact amount of the increase depends on such factors as the time since the training was received, the amount of training received, and whether or not the worker leaves the firm where the training was provided¹⁰⁶.

In general, the rate of return to this type of training has been found to be as high or higher than the gains that result from a similar amount of additional post-secondary education. Earnings gains from employer-provided training have been found for both more educated and less educated workers. These studies control for the effect of family background, ability test scores, education, and previous experience on earnings in order to isolate the effect of training.

The research in this area is encouraging, but none of the studies cited above were randomized experiments. It is therefore not certain whether self-selection could affect the results. This is an especially problematic issue in the research on increases in earnings for individual workers who receive training, where one author has found evidence that self-selection is occurring¹⁰⁷. More research is called for to determine what kind of benefits for workers and firms are created by company training, which types of training are most effective, and how to facilitate training on the part of private firms.

¹⁰⁵ Blanchflower, David and Lisa Lynch, "Training At Work: a comparison of U.S. and British Youths", in Lynch, ed. Training and The Private Sector: International Comparisons, University of Chicago Press, forthcoming; Brown, Charles, "Empirical Evidence on Private Training", in Research In Labor Economics, R. Ehrenberg, ed., JAI Press, 1990; Hollenbeck, Kevin, "The Economic Payoffs to Workplace Literacy", W.E. Upjohn Institute for Employment Research Working Paper Number 93-21, October, 1993; Lillard, Lee and Hong Tan, Private Sector Training: Who Gets It and What Are Its Effects?, Rand Corporation, March, 1986; Lynch, Lisa, "Private-Sector Training and The Earnings of Young Workers", American Economic Review, March, 1992.

¹⁰⁶ Some studies indicate that the benefits from training provided at one company may be greatly reduced if the worker leaves and goes to another company.

¹⁰⁷ Lynch, Lisa, ibid. The other studies cited on individual worker's earnings gains did try to correct for this by controlling for observable differences between workers who did and did not receive training.

SECTION 5: NEW JOBS: RE-EMPLOYMENT PROGRAMS FOR DISLOCATED WORKERS

Dislocated workers are workers who have been permanently laid off and often face a difficult transition to a new job. Overall, these workers are a more job-ready population than the economically disadvantaged adults served by the other job training programs discussed previously. A 1990 Census Bureau survey found that dislocated workers had an average of 12.5 years of education, while the general population of adults at that time had an average of 12.7 years of education. Only 14% of participants in the Employment Dislocation and Worker Adjustment Assistance (EDWAA) program, the Federal government's major training program for displaced workers, had less than a high school education, while 30% of the economically disadvantaged adult enrollees in JTPA Title II were high school dropouts.

Although displaced workers are generally not as poor as the clients of JTPA, welfare-to-work, and other programs designed specifically for the disadvantaged, they are by no means equivalent to the general population in income or employment opportunities. Even a year after they lose their jobs, these workers have poverty and unemployment rates that are far higher than the general population. Ethnic minorities are also over-represented among displaced workers¹⁰⁸.

A variety of re-employment programs for dislocated workers have been tried, ranging from conventional training programs to bonuses paid upon receipt of a new job. Although many of these approaches are still experimental and are being used only in a few pilot programs, much reliable evaluation evidence is available.

Profiling and Job Search Assistance

Traditionally, the vast majority of unemployed workers receiving Unemployment Insurance (UI) benefits have not received reemployment services to help them find new jobs. A 1988 study found that even among those long-term UI recipients who exhausted their benefits, just 6% were receiving job search assistance more intensive than the simple work registration offered by the Employment Service, and only 1.4% attended training programs¹⁰⁹.

¹⁰⁸ U.S. Census Bureau dislocated worker survey, January, 1992; unpublished U.S. Department of Labor tabulations.

¹⁰⁹ Richardson, Philip et. al., Referral of Long-Term Unemployment Insurance Claimants to Reemployment Services, U.S. Department Of Labor Occasional Paper 89-2, 1989. Reemployment services here do not include the Job Service, which generally provides only work registration services.

A recent series of experiments in five states -- Minnesota, Nevada, New Jersey, South Carolina, and Washington -- has examined the effectiveness of a two-stage combination of profiling and job search assistance in reducing unemployment¹¹⁰. The profiling stage, which occurs when individuals first claim their UI benefits, uses demographic and work history information to identify those persons who are most likely to remain unemployed long-term, and thus have the greatest need for re-employment services. The identified recipients then receive intensive job search assistance and counseling from UI staff.

These demonstrations were conducted as random assignment experiments, making their results particularly reliable. The exact results of the experiments vary, but the general findings are similar:

- o Job search assistance clients found a new job more quickly, and receipt of UI benefits was reduced. Those receiving job search assistance found new employment an average of one-half of a week to 4 weeks sooner than similar individuals who did not receive assistance. Most states averaged around a one week reduction in the duration of UI benefit receipt.
- o The program was cost-effective for the government. In each state experiment the savings in Unemployment Insurance (UI) payments plus the increase in tax receipts due to faster re-employment were more than enough to pay for program costs. Savings to government averaged around two dollars for every dollar invested in targeted job search assistance.
- o Job search participants did not end up in lower-wage jobs than non-participants. Some have argued that mandatory job search leads to workers taking jobs that do not pay as well as jobs they otherwise would have found without the program. There was no evidence that this was the case. In the two experiments where earnings data was available, job search participants not only found a job more quickly, but hourly earnings were similar to non-participant workers.

Where information on the time pattern of the earnings gains was available, it was found that job search participants earned more than controls during their first year or two after receiving help finding a job. After this period, other workers who had not received JSA began to earn similar amounts. The earnings gains produced by JSA are significant but not long-lasting.

¹¹⁰ For a good overview of the results of these experiments, see Bruce Meyer, "Policy Lessons From the U.S. Unemployment Insurance Experiments", National Bureau of Economic Research Working Paper #4197, 1992.

The results of the experiments were generally similar, in that all produced significant reductions in UI receipt. However, two experiments -- in Minnesota and Nevada -- had positive results much greater than the others. Programs in these states reduced UI receipt by 4 weeks (Minnesota) and 1.6 weeks (Nevada)¹¹¹. These states provided the most intensive job search assistance services to their clients, including individual case management. This may partially account for the magnitude of the impacts in these states.

Profiling and job search assistance were mandated for all state UI programs in the Extended Unemployment Compensation legislation enacted in 1993, but implementation of this directive will not be complete for several years.

Self-Employment Assistance

Self-employment programs allow unemployed workers the option of starting a small business as an alternative to looking for wage and salary work. Unemployed workers are given training and assistance in setting up their business, and their UI payments are used as support while they do so.

In 1987, the Department of Labor launched demonstration projects in Washington and Massachusetts that added a self-employment option to the UI programs in those states. Although the details of the programs differ, they both require enrollees to participate in entrepreneurial training and make use of business counseling in order to receive self-employment allowances or (in the case of the Washington program) a lump-sum payment to help set up their business. The programs were evaluated in a random assignment experiment that compared program participants to a control group who had expressed interest in starting a business but were not allowed to participate in the program.

Self-employment is not for everyone; research indicates that only a small fraction (2% to 5%) of UI recipients are likely to enter these programs. Results from the demonstration projects also indicate that those who do try self-employment are disproportionately better educated, older, and white-collar.

¹¹¹ Some part, though not all, of the very large Minnesota results are probably accounted for by selection bias in the control group. About a third of the controls were not UI eligible and thus differed from the program participants.

Results from the evaluations were quite encouraging¹¹²:

- o The likelihood of starting a business roughly doubled for those participating in the program. In both demonstrations about 25% of the control group managed to start their own business, whereas roughly 50% of program participants did.
- o Participant businesses were no more likely to fail over the first 18 months of operation than control group businesses were. This finding held true for both demonstrations.
- o Program participants were significantly more likely to enter any employment than control group members. Over the total 18-month followup period, the program increased the total time spent employed (either self-employed or employed by others) by two months in Washington and three months in Massachusetts.
- o The demonstrations increased total earnings. Self-employment participants in Massachusetts earned over \$7,500 more than non-participants in the control group during the 18 months following entry. There were also substantial positive earnings impacts in Washington but they were not statistically significant.

The NAFTA legislation passed in 1993 allows states to use monies from the UI trust fund to pay self-employment allowances under state-established self-employment programs.

Re-Employment Bonuses

Re-employment bonus programs pay a reward to unemployed workers who find new employment within a specified time and keep it for some minimum period. Usually the award is around 3 to 6 times the weekly UI benefit amount (which varies greatly by individual), or about \$500 to \$1,500.

Several policy experiments have found that this bonus offer decreases the time receiving UI benefits¹¹³. Even though only about 10% to 15% of the potentially eligible clients actually made use of the bonus, the average length of unemployment among the entire group of eligibles was reduced by 1/2 to 1 week.

¹¹² Benus, Jacob et. al., A Comparative Analysis of the Washington and Massachusetts UI Self-Employment Demonstrations, Abt Associates, November, 1993.

¹¹³ Meyer, Bruce, "Policy Lessons From the U.S. Unemployment Insurance Experiments", National Bureau of Economic Research Working Paper #4197, 1992.

Most of the evaluations found that government broke even on the program -- the average size of the bonus plus the administrative costs of the program was about the same as the average UI benefits saved plus the additional tax receipts gained from faster re-employment. Society as a whole was found to gain because of the additional time in employment created by the programs.

A number of economists have pointed out that a badly designed bonus system could draw more people into the UI system, thus driving up government costs. Some unemployed workers are eligible for UI benefits but choose not to receive them, because they expect to be recalled to their old job or find a new job soon. Unless safeguards were built in, bonuses would give these people an additional incentive to claim UI benefits so they could receive a bonus once their new job came through. This issue should be addressed in the design of a bonus system. For example, the eligibility for the bonus could be limited in certain ways (e.g., to those workers who are not recalled to their old job), and the size of the bonus could be capped to prevent an overly large incentive for "gaming" the system¹¹⁴.

Training Programs for Dislocated Workers

A number of local demonstration projects which provided training to dislocated workers have been evaluated over the past decade. In addition, two evaluations of the effects of the Federal Trade Adjustment Assistance (TAA) program, which provides long-term training to some clients, have been completed. The studies vary widely in methodology and in findings, but it is possible to draw some general conclusions from them.

Several evaluations indicate that short-term skills training has not been particularly successful in producing earnings gains for dislocated workers, but the evidence is not conclusive. In three studies, two of which were randomized experiments, workers offered relatively short-term training plus job search assistance showed no significant increase in earnings or employment when compared to workers receiving job search assistance alone¹¹⁵. This training consisted of 3 to 6 months of either classroom or on-the-job training. The workers did not receive any income

¹¹⁴ This is the approach taken in the Reemployment Act.

¹¹⁵ These results were found in the Texas experiments, the Buffalo Downriver training project, and the New Jersey Reemployment Demonstration project. Leigh, Duane, "An Overview of Existing Evaluation Evidence For the U.S.", in Assisting Workers Displaced By Structural Change: An International Comparison, Upjohn Institute, Forthcoming, 1994.

support beyond regular UI payments to support their training efforts.

These studies provide suggestive but not conclusive evidence that short-term training does not work for dislocated workers. The design features of the experiments make it difficult to detect whether this training affects the long-term employment prospects of dislocated workers. In two of the studies the follow-up period was either 6 months or a year, not long enough for all the effects of classroom training to show up. In the third there was an exceptionally low take-up rate for training -- only 15% of workers chose to participate -- and this led to problems in determining training effects¹¹⁶.

More research is called for here. This is especially true because under the JTPA program for disadvantaged adults, short-term training produced impressive gains in earnings at a fairly low cost. Some 20% of JTPA adult trainees are on UI or have recently exhausted UI benefits, and over half have recently worked, so the positive JTPA impacts may well be relevant to displaced workers.

There is no direct evidence on the effectiveness of long-term, high-intensity classroom training for dislocated workers. But evidence on returns to higher education suggests that long-term training could pay off for some dislocated workers.

Random assignment evaluations of long-term training programs for dislocated workers are lacking. The Trade Adjustment Assistance (TAA) program is a major supplier of long-term training to dislocated workers, and two evaluations of it have recently been completed. These evaluations have not been able to reliably determine the impacts of long-term training:

- o A Mathematica study found that TAA trainees had lower earnings over a 3-year period than other dislocated workers who did not receive training¹¹⁷. It is difficult to know how to interpret this, since researchers found that trainees were a self-selected group who were more likely to have made major career changes than non-trainees. This fact in itself could lead to lower earnings. For this reason, the researchers found that they could not draw any conclusions

¹¹⁶ Corson, Walter, et. al. New Jersey Unemployment Insurance Reemployment Demonstration Project, U.S. Department of Labor, Unemployment Insurance Occasional Paper 89-3, April, 1989.

¹¹⁷ Corson, Walter et. al. International Trade and Worker Dislocation: Evaluation of the Trade Adjustment Assistance Program, Mathematica Policy Research, April, 1993.

on training effectiveness¹¹⁸.

- o A second evaluation of TAA, by the Office of the Inspector General at the Department Of Labor, did not directly evaluate the effects of long-term training¹¹⁹. The evaluation found that many workers receiving TAA benefits were reemployed at lower wages than they had received at their previous jobs. However, these TAA recipients were not compared to any control or comparison group of dislocated workers to determine if their earnings loss was more or less than would have been expected for a typical job loser. Also, the evaluation found that half of these TAA recipients did not receive long-term training.

These generally negative results for the TAA program overall are not surprising. TAA only covers a subset of dislocated workers, many of its clients don't even receive training, and the program has time-consuming certification procedures.

There is reasonably solid evidence on the impacts of community college education, and these results are likely to be applicable to some dislocated workers. This is because many government programs provide long-term training to dislocated workers by contracting with local community colleges to provide vocational courses¹²⁰.

The evidence on community colleges is discussed in detail in Section 4. The general findings are that students can expect earnings gains of 5% to 10% per year of credits completed at a community college, and these gains are earned whether or not the degree is completed. At this time no study examines the effect of community college education on dislocated workers specifically. Most of the students who were observed to benefit from long-term education had obtained their education while they were under 30, and had not returned to school for retraining in the middle of their career like many displaced workers do.

¹¹⁸ The researchers stated that "because individuals were not selected randomly to participate in training, we cannot interpret the differences in the employment and earnings of trainees and non-trainees as unbiased estimates of the impact of training on these outcomes." Ibid, p. 121.

¹¹⁹ Trade Adjustment Assistance (TAA) Program: Audit of Program Outcomes in Nine Selected States, Office of the Inspector General, U.S. Department of Labor, September, 1993.

¹²⁰ Hansen, Janet, ed. Preparing for the Workplace: Charting A Course For Federal Postsecondary Training Policy, National Research Council, Washington, D.C, November, 1993.

[CALL TOM KANE!!! -- Get age distribution for his sample] At the same time, it should be noted that community college students are older and displaced workers are younger than is generally supposed. More than a quarter of all the community college students examined in the studies cited in Section 4 were still attending college at age 25 or over, and about half of workers dislocated from full-time jobs in 1990 were aged 18 to 34. Thus, a substantial minority of displaced workers are comparable in age to the students examined in the studies cited¹²¹.

The steady increase in the rewards for post-secondary education also indicates that advanced training is becoming more valuable in the workplace. This increase is occurring in many industrial nations, and provides evidence that investing in workforce skills brings high returns.

Programs for Dislocated Veterans

One class of dislocated workers are veterans exiting the military service and searching for civilian jobs. There have always been substantial numbers of these veterans, but the recent downsizing of the national defense establishment has increased their population.

The Transition Assistance Program (TAP) is a Department of Labor program that provides 2 to 4 days of job search instruction and assistance to military personnel displaced from their jobs by downsizing. A recent evaluation estimates that in 1990 TAP participants found new employment about 3 weeks more quickly than a comparison group of displaced veterans who did not participate¹²².

It seems likely that part of the positive effects found in this evaluation are due to unobservable differences between TAP participants and others. However, since researchers made extensive efforts to correct for this possible source of error, the basic finding of positive effects of TAP participation is probably accurate.

¹²¹ Adelman, Clifford, The Way We Are: The Community College As American Barometer, U.S. Department of Education, February, 1992; Congressional Budget Office, Displaced Workers: Trends in the 1980s and Implications for the Future, February 1993.

¹²² Transition Assistance Program: Initial Impact Evaluation, U.S. Department of Labor, Assistant Secretary for Veterans Employment and Training, November, 1993.

SECTION 6: CONCLUSIONS

This section summarizes the evidence discussed previously, but organizes it according to the type of intervention that was used in the programs. Finally, several overall conclusions are presented that emerge from the review of the evidence.

Impacts By Type of Service Provided

There are four basic interventions that are commonly used in different training and employment programs. These are job search assistance, short-term classroom training, long-term classroom training, and subsidized employment. The actual impacts of these services naturally vary greatly depending on the quality of the program staff and the exact curriculum used. Despite these factors, some general conclusions on the effectiveness of different types of services for the various populations can be drawn.

Note that several of the interventions described in previously do not fit neatly into the four categories presented here. Many of these other programs -- such as the programs for teen mothers which require school attendance in exchange for welfare benefits -- have shown success. Others have been successful in some of their goals, but not all. For example, the STEP summer education program for in-school youth created a short-term boost for academic outcomes, but did not raise high school graduation rates over the long term.

Job Search Assistance

Job search assistance (JSA) has demonstrated significant positive impacts for every population for whom it has been tried. JSA appears to accelerate the process of getting a job, but not make a permanent difference in the quality of job obtained.

JSA is generally one of the cheapest types of interventions. It is usually a very worthwhile investment, with benefits outweighing costs by a substantial amount.

- o The most compelling evidence for the effectiveness of JSA comes from 5 state experiments providing JSA to workers considered likely to be unemployed long-term. JSA significantly reduced the receipt of unemployment insurance in all these experiments. Savings to government from the more rapid reemployment averaged two dollars for every dollar spent on JSA.
- o Several JSA programs have produced gains for out-of-school disadvantaged youth, but others have not been successful.

Boston's Jobs For Youth program and the 70001, Ltd. program created significant earnings gains of roughly \$900 for graduates during about the first year after intake into the program. These programs were fairly expensive for JSA interventions. They included extensive counseling and up to 40 hours of job readiness classes, and in some cases provided follow-up after youth were placed in first jobs.

These job placement services helped youth find jobs more quickly, but did not improve long-term employment prospects. By one to two years after entering the program the participants' earnings were not significantly different from those of similar youth who hadn't participated in JSA.

In contrast, the JSA component of JTPA has not been successful in creating any earnings gains for disadvantaged youth. The evidence on JSA for youth is therefore mixed.

- o JOBS programs for single mothers on welfare often emphasize JSA as an important part of the package of services they offer. These programs have been successful in producing moderate earnings gains for welfare recipients. Gains have usually averaged about \$300-\$700 in annual earnings for all program eligibles, even when only about half of the eligible group actually received services. These results are notable because they show evidence of long-term effects -- increases in earnings have often been sustained for about 3 years.
- o The evaluation of the JTPA program estimated that the JSA/On-the-Job Training segment of the program led to annual earnings gains of more than \$1,100 for adults. Only about half of those served under this program segment received JSA, so it is not known exactly how much of these results are due to JSA in particular and how much to on-the-job training.

Short-term Classroom Training

The record of short term (3 to 6 month) classroom training has been very mixed¹²³. A few programs have shown some success, but in most cases short-term classroom training has not been found to be particularly successful.

- o Short-term classroom training for disadvantaged adults in the JTPA program did not produce earnings gains for females. However, by the second year after program graduation (the last year studied), males referred to classroom training

¹²³ "Classroom training" is defined here to mean training that does not take place at the work site, as on-the-job training does.

showed earnings gains of about \$900 per year, an effect that fell just short of statistical significance.

- o Short-term classroom training by itself usually has not been a successful strategy for youth. The best estimates are that short-term training under the CETA and JTPA programs did not improve the employment prospects of youth graduates. The Jobstart demonstration tested 13 different sites which provided short-term training to youth, and found that only one was successful in producing gains in earnings and employment for its graduates.
- o The one short-term classroom training program for youth which has been reliably evaluated and found to produce large and statistically significant earnings gains is the Center for Employment and Training (CET) project in San Jose. The evaluation estimated that CET produced average annual earnings gains of over \$3,000 for youth enrollees during the third and fourth year after graduation. There is also reliable evidence that CET training produces significant earnings gains averaging \$1,500 annually for minority female single parents.

Although CET training takes place in the classroom, the program is designed to simulate many aspects of the workplace environment the students will join once they graduate. Instructors are taken from industry, and the curriculum is constantly overhauled to make sure that the skills taught are needed by local businesses. Basic skills are taught, but within a vocational context. The CET experience shows that short-term classroom training can work if it is closely linked to workplace skills.

- o Available evidence suggests that short-term skills training has not been successful in producing earnings gains for dislocated workers, but the evidence is not conclusive. In three studies, two of which were randomized experiments, workers offered short-term training plus job search assistance showed no significant increase in earnings or employment when compared to workers receiving job search assistance alone¹²⁴. These studies provide suggestive but not conclusive evidence that short-term training does not work for dislocated workers. In two of the studies the follow-up period was about a year, not long enough for all the effects of classroom training to show up.
- o There is not yet much evidence on the impact of classroom training for welfare recipients, but existing evidence is

¹²⁴ Most of this training was short-term classroom training, but some was on-the-job training.

mixed. An evaluation of classroom literacy training in a welfare-to-work program found that this type of training did produce significant gains in literacy and classroom achievement for graduates, but these literacy gains did not translate into increased earnings or employment during the evaluation's 2-year follow-up period. However, a 2-year followup is probably not enough time to see all the benefits of increased literacy.

Another evaluation of 4 classroom training programs for single mothers (most of whom were welfare recipients) found that only one of the programs -- the San Jose CET project once again -- produced significant improvements in participant earnings.

It should be noted that research on short-term classroom training is often difficult to interpret because the earnings pattern resulting from short-term training makes it necessary to follow program participants for a long period in order to determine if training effects are positive. There is usually an initial negative effect on earnings as attendance at the classroom training takes time away from work, and earnings increases only begin to show up well after program graduation. Some evaluations have not followed workers long enough after graduation to correct for this effect.

Long-Term Classroom Training

There is little direct evidence on government long-term training programs (more than 6 months). But other evidence strongly suggests that long-term education and training is likely to be an effective strategy.

- o Most long-term post-secondary training in this country takes place in the four-year and community college system. A number of studies estimate that higher education brings income rewards in the area of 5% to 10% per year of education completed. The studies find this increased income even after correcting for pre-existing differences between those who attend college and those who do not.
- o Direct evidence on the effectiveness of long-term training for displaced workers is lacking. But since training for dislocated workers is often offered through the community college system, the positive evidence on the returns to community college is encouraging for displaced workers as well. Furthermore, the steady increase in the rewards for post-secondary education also indicates that advanced skills are becoming more valuable in the workplace.
- o The Job Corps offers an intensive residential training program to disadvantaged youth that takes about a year to

complete. An evaluation has estimated that young people enrolling in the Corps show average earnings gains of roughly 15%, and reductions in the incidence of serious crime. These positive impacts of long-term Job Corps training for disadvantaged youth are in sharp contrast to the mostly negative estimates for the impacts of short-term, less-intensive training for this population.

However, it is uncertain how many of these benefits occur simply because Job Corps training is long and intensive. The Job Corps is also successful because the training takes place in a residential environment and is combined with many support services.

Subsidized Employment Approaches

There are several different varieties of subsidized employment¹²⁵. In supported work models, clients are provided with extensive support services during a subsidized employment period that lasts around a year. Some other demonstrations have provided fewer support services, but all subsidized employment programs have provided clients with an extended period of subsidized work combined at least some training or support. When the subsidized job is over, clients may stay with their employer without a subsidy, or they are given job search assistance to find new work.

In on-the-job training, another form of subsidized employment, a government agency pays a private sector employer to hire and provide informal training to disadvantaged individuals.

Subsidized employment has proven remarkably successful for single mothers who are on AFDC. In some cases it has also proven successful in helping other adult populations, although the evidence here is more mixed than for single mothers.

- o Subsidized employment programs for female welfare recipients have consistently demonstrated success in raising earnings and employment. These programs have raised the average annual earnings of participants by roughly \$1,500 to \$2,000 (1993 dollars) in each of the first two years after leaving the program. They also reduced welfare receipt somewhat, and were cost-effective.
- o The JTPA evaluation showed that disadvantaged adult enrollees recommended for short-term (3 to 6 month) on-the-

¹²⁵ We are not including tax credit strategies such as the Targeted Jobs Tax Credit as forms of subsidized employment. In general, the paper does not deal with tax incentives for employment or training.

job training or job search assistance showed substantial earnings gains averaging more than \$1,100 annually during the second year after graduating JTPA training. This method was especially successful for AFDC recipients, who showed average earnings gains of \$2,000 annually.

- o Subsidized employment alone appears to be much less successful in creating long-term benefits for disadvantaged youth and ex-criminal offenders. In one experiment conducted in the late 1970s these groups showed significant earnings gains while they were actually participating in supported work, but these were not sustained once the one-year supported work period ended. The JTPA evaluation also found that on-the-job training did not appear to work well for disadvantaged youth enrollees.

However, there is evidence that subsidized employment can create immediate growth in earnings and employment for disadvantaged youth while they are actually employed in subsidized jobs. For example, the offer of a minimum-wage job under the Youth Incentive Entitlement Pilot Project was successful in greatly increasing the employment rates among disadvantaged minority youth while the program was in place. But it appears to be necessary to link this subsidized employment to other forms of training or services to produce lasting benefits.

- o The evidence for on-the-job training for displaced workers is uncertain so far. Additional research is needed.

Overall Conclusions

Surveying the evidence leads to several general conclusions:

1) At least some services have been successful for every population examined. Employment services have produced significant gains in earnings and employment for disadvantaged adults and youth, single mothers, and displaced workers. JTPA Title II brought average gains of \$940 annually to both adult men and women. Disadvantaged youth increased their annual earnings by an average of 15% (or about \$1,000) through participation in Jobs Corps, and youth enrollees in the San Jose Center for Employment and Training earned over \$3,000 more per year than similar young people who did not enroll. Many programs have brought statistically significant gains for poor single mothers.

2) Some populations are easier to assist than others. Most interventions for disadvantaged youth have not been very effective. In contrast, programs for disadvantaged adult women have shown particular success.

A large number of programs for disadvantaged youth have not succeeded in producing significant earnings gains. This is true of the short-term training provided in CETA, JTPA, and twelve out of the thirteen sites in the JOBSTART demonstration. Those programs that have had success in creating long-term benefits for disadvantaged youth are either extremely well implemented (the San Jose CET program), or long-term and intensive (Job Corps). Given the difficulty of assisting young people once they have dropped out of school, it is important to help them complete high school. But dropout prevention efforts have also had a mixed record of success.

On the other end of the spectrum, disadvantaged adult females are probably the population with which we have had the most demonstrated success. Almost every intervention evaluated has had at least some positive effect in helping this population, and some interventions have had a large impact. Subsidized employment approaches combined with some training or support services seem to be especially successful.

3) Results from successful programs are moderate on average. In general, programs seem to produce gains averaging one or two thousand dollars per year, and in many cases these effects fade with time¹²⁶. The gains created by training programs are important, and represent real gains for society and for the individuals involved. But they are often not enough to dramatically increase participants' income. For example, because of the low base earnings of welfare mothers, even programs with a substantial positive effect haven't greatly reduced poverty rates among participants¹²⁷.

4) Many employment services for displaced workers and the disadvantaged appear to be cost-effective investments. Returns to society of \$1.50 or more per dollar invested have been found in reliable evaluations of JTPA training for disadvantaged adults, the Job Corps, the San Jose CET, many welfare-to-work programs, and job search assistance for displaced workers.

5) It often takes time for programs to begin to work. Many of the success stories in training for the disadvantaged have come

¹²⁶ Important exceptions here are the San Jose CET program, whose participants sustained their earnings gains steadily for five years after entering the program, and the Job Corps, which created earnings gains which did not decline over the four years during which graduates were monitored. Longer periods of follow-up data are not available for participants in these programs.

¹²⁷ Supplementing these earnings gains with the expanded EITC will improve this situation.

from programs which were operating for 5 years or more before they were evaluated. For example, the Job Corps, JTPA, and the CET program in San Jose were all evaluated after they had been in existence a substantial period of time. The same is true of most of the successful high school dropout prevention programs. This indicates that the knowledge and experience built up through years of practice can be an important factor in determining a program's success¹²⁸.

Some of these programs -- like JTPA and the Job Corps -- were plagued by reports of waste and inefficiency in their early years. But when evaluations were conducted after the programs had been in place for a substantial period of time, it was determined that many of their problems had been fixed and they served their clients effectively.

6) Only a limited range of interventions have been tried, and even fewer have ever been formally evaluated. With a few exceptions (notably the Job Corps and Supported Work) most training programs for the disadvantaged have been short-term and not particularly intensive. In 1993, for instance, the average adult trainee in JTPA Title II, the Federal government's major training program for the disadvantaged, participated for just four months.

Perhaps more important is the fact that training programs have rarely been able to saturate a single community, and have rarely been combined with a range of other interventions directed at the same neighborhood. Improving the employment outcomes of some persons within a community can lead to "spillover effects" as other people in the neighborhood are influenced by the positive actions of their peers. (Similarly, the effects of services for a few individuals in a troubled neighborhood may dissipate because of negative spillover effects from non-participants).

For example, researchers have found that youth are more likely to work or stay in school if a large proportion of their peers also do so¹²⁹. Employment and training programs have usually reached only a few people within a given community, not enough to create such effects. There has been little experimentation with what

¹²⁸ Although part of this effect could be due to a tendency of more successful programs to survive longer.

¹²⁹ Case, Anne and Lawrence Katz, The Company You Keep: The Effects of Family and Neighborhood on Disadvantaged Youth, National Bureau of Economic Research, 1991; Mayer, Susan "How Much Does a High School's Racial and Socioeconomic Mix Affect Graduation and Teenage Fertility Rates?" In C. Jencks and P. Peterson (eds), The Urban Underclass, Washington, D.C.: The Brookings Institution, 1991.

such a saturation approach could accomplish.

In addition, a range of other employment-related problems besides lack of training confront many disadvantaged neighborhoods. These problems include public safety, transportation to work, inadequate schooling, etc. We have little or no evaluation evidence on interventions that have attempted to seriously address these problems within the community while simultaneously providing training.

The potential power of neighborhood effects was demonstrated in research on Chicago's Gautreaux housing program. Researchers found that disadvantaged youth who moved from Chicago's inner-city ghettos into a more affluent suburban area showed very substantial improvements in a wide range of employment and education outcomes.

Evaluation literature provides guideposts for which roads to explore further and which to avoid. Though success has generally been moderate, it has been measurable. Furthermore, the gains to society produced by these programs have often been more than enough to justify their costs. Training and employment programs can serve a useful role in improving the labor market prospects and the economic security of all American workers.