

STEPS.



Steps To
Employment
Prosperity
& Success

What is Full Employment?

Full Employment is a welfare, unemployment, and food stamp benefit replacement concept that moves public assistance recipients into the active workforce by converting public assistance benefits to wage subsidies for transitional, training oriented jobs, predominantly in the private sector.

Features of Full Employment

For Participants

- Immediate placement in unsubsidized jobs, or temporarily subsidized, training-oriented jobs for those unable to get unsubsidized employment. Wage subsidies are paid from the pool of public assistance benefits.
- A ladder of job opportunities, with rising spendable income at each step.
- Guaranteed support services throughout the transition to self-sufficiency.

For Employers

- A larger workforce from which to recruit workers.
- The chance to try out new workers in new jobs at little or no wage cost.
- The opportunity to contribute to reducing the public assistance burden.

For the State

- A stronger state economy.
- Happier, more productive citizens.
- Reduced welfare costs.

Work First: The Right Approach To Training

It is an axiom of American politics that “When the federal government sneezes, the states get pneumonia.” A new and largely unnoticed federal law proves the point: states are often in jeopardy when the federal government acts.

The Workforce Investment Act (WIA) signed into law in August, 1998 is, on one level, an ambitious attempt to rewrite and rationalize a wide variety of federal job training programs. More importantly, it sets the stage for the states to make a giant leap toward Full Employment by integrating welfare, unemployment compensation, and training into one seamless system of public assistance reform.

But setting the stage is not the same as producing the play. The WIA is at once a great opportunity and a potential disaster—a glass half full or half empty—in ongoing national efforts to replace public assistance with work for all able-bodied adults. Which it will turn out to be—opportunity or disaster—depends entirely on how each state chooses to implement it.

The new act, a product of compromise between the Clinton Administration and the Republican Congress, calls for states to apply a “work first” concept to the use of federally funded job training efforts. One-stop centers will serve the locally defined needs of both adults and youths seeking work. It encourages states to tie training efforts closely to the employment orientation of the Temporary Assistance to Needy Families (TANF), Food Stamp, and Unemployment Compensation programs. The goal is a continued decline in the need for public assistance to those able to work.

A major feature of the WIA is its repeal of the 15 year -old Job Training Partnership Act (JTPA), which studies have shown to be largely ineffective at employing or advancing workers, and the reallocation of

JTPA funding to and through the states to local governments. For the first time, locally elected officials will have the opportunity to work with employers to meet the real training needs of their workers, rather than follow the top-down federal dictates of the JTPA bureaucracy and its “anything-but-work” philosophy.

The WIA firmly establishes the “work first” principle for use of federal training funds, enabling local governments, for example, to provide federally-funded training vouchers to incumbent workers to choose the kinds of training they need to advance in their jobs. “Work first” has been the driving force in the nationwide reduction of welfare rolls. Properly implemented, with work as the precursor to and determinant of training needs, the WIA can be the next major step in the movement to reduce to a minimum public assistance dependency in the United States. Welfare reform put public assistance recipients on the first step of the career ladder of self-sufficiency. The WIA can keep them climbing.

To get this result, however, will require close and careful attention to implementation by the elected officials of each state, to prevent the existing bureaucracies with their “train ‘em forever” mentality, from rushing to fill the policy and organizational vacuums created by the WIA’s otherwise desirable deference to state and local control. Most of the policy and operational decisions under the WIA will be in the hands of state governors and locally-elected officials, but state legislatures are explicitly given the prerogative to implement the Act through enabling legislation and appropriation. Innovative planning and a willingness to go beyond the “business as usual” propensities of the established bureaucracy will make the difference.

— Charles D. Hobbs ■

States Update

STATE HIGHLIGHTS

Streamlining State Government

Recently, state governments are following a private sector model, using mergers to capitalize on synergies. In particular, according to a recent study by the National Governors Association, 14 states have reorganized and merged various parts of their workforce development programs since 1996. And with the enactment of the Workforce Investment Act of 1998 (WIA), this trend is expected to continue.

Beginning in July 2000, the WIA requires states to house no less than 14 separate workforce development programs in one location in each local service area. Included are all job training programs, employment services, unemployment insurance and any others states deem appropriate.

But these One-Stops achieve only street-level coordination and not a unity of effort and oversight. Because the federal government couldn't enforce a merger of state agencies, it strongly recommended collaboration.

Given scarce resources, strong collaboration will ensure that efforts are not duplicated.

In particular, the U.S. Secretary of Labor highlighted the issue as it applied to welfare programs, an optional partner for the One-Stops: "Collaboration between the workforce investment and welfare systems is important for several reasons. Both systems now focus on helping clients become employed. In addition, the two systems serve many of the same customers. Common customers

also include employers who hire clients of the two systems. Finally, given scarce resources, strong collaboration will ensure that efforts are not duplicated."

Because of the many areas of overlap between welfare, employment, and the various government educational and job training programs, the logical conclusion to the WIA's collaboration requirement is to fully integrate the programs through merger.

Utah, Wisconsin and Texas accomplished broad mergers before the Act made its way through the political process. And bills will be introduced in Oregon and Ohio this year to do the same.

For its innovative efforts, Utah was awarded the 1996 State of the Year Award by the National Alliance of Business.

In Utah, "a variety of agencies maintained dozens of programs that greatly mirrored each other's clientele and programs. Intake, case management, placement services and a host of other services were duplicated, each maintaining their own bureaucracy."

In 1996, the Utah legislature solved the problem and merged 36 programs, across five State agencies. "Its purpose was to simplify service delivery, unify case management, and streamline structures to operate more efficiently," according to the Utah Department of Employment Services. And for its innovative efforts, Utah was awarded the 1996 State of the Year Award by the National Alliance of Business.

Ohio found similar reasons for a merger. A senator who co-chaired the committee that studied Ohio's merger of its welfare, employment and training

INSTITUTE
news

WIA Study

The Institute has conducted a rigorous study of the Workforce Investment Act and will publish a "white paper" this month outlining the opportunities and pitfalls of the Act.

Social Security Reform

In conjunction with the National Center for Policy Analysis, the Institute published Senator Phil Gramm's plan for Social Security reform in December 1998. The plan is available through the Institute or at www.ncpa.org/studies/s220.html.

agencies found "a tremendous amount of duplication of work out there" and projects that Ohio's merger could save the state significant funding.

The overlap between its employment, welfare and job training programs is also apparent in Oregon. Its success in welfare reform has come from an innovative and vision-oriented welfare department that led the nation in job placement. For this reason, Oregon's merger will not only result in greater efficiency, it will leverage the lessons learned and strength developed in its welfare reform initiatives.

The WIA requires that the programs be located together; states can ensure that they are working together. Because of the opportunities for increased efficiency, effectiveness and cost savings, the WIA is likely to fuel more mergers as states implement the new law.

— John W. Courtney ■

The Cutting Edge

The Workforce Investment Act: Lessons from JTPA

William B. Conerly, Ph.D.

The Workforce Investment Act has the potential to dramatically improve the performance of the nation's employment training programs. However, the WIA's predecessor, the Job Training Partnership Act (JTPA), similarly offered promise, but failed to improve the lives of its participants. Before implementing the WIA, it is important to know how JTPA went wrong and what are the necessary components of a successful training program for the disadvantaged.

JTPA's Dismal Record

JTPA was passed by Congress in 1982 to serve disadvantaged adults and youth, dislocated workers, with additional services for older workers, public assistance recipients and veterans. JTPA replaced the discredited Comprehensive Employment Training Act (CETA) program, which had been criticized for creating unrealistic make-work jobs that did little to prepare participants for real employment.

Senator Dan Quayle sponsored JTPA, saying, "The new legislation will provide standards for judging the program by what is accomplished, by whether those trained are hired or earn more as a result of training." In truth, JTPA programs had neither success nor accountability.

The General Accounting Office's study of JTPA reported, "Although the federal government spends billions of dollars annually to support employment training programs, little is known about their long-term effects on participants' earnings and employment rates."

The few studies of the program's record show very discouraging results. The Department of Labor, which administers the program, conducted one study which found no gains or small gains for most participants—and lower

earnings for young males. When the General Accounting Office looked at over 20,000 participants for five years after they were in the program, they found no statistically significant benefits. And the Department of Labor's Office of the Inspector General concluded that dislocated workers participating in JTPA "... were reemployed at significantly lower wages than nonparticipants."

What Caused JTPA's Failure?

JTPA's failure was caused by a misguided strategy and an absence of accountability. The two flaws compounded each other, producing a program that served the interests of the training community rather than the interests of the participants.

Programs placing recipients in longer-term education and training programs were significantly less effective than those emphasizing immediate employment.

JTPA is based on the "Human Capital Development" theory, which holds that training and education should come first, so that jobs will pay more when they are eventually obtained. In contrast, the "Labor Force Attachment" theory (commonly dubbed "Work First") promotes getting a job quickly, then improving earnings through on-the-job training, experience, and further training while employed. The Human Capital Development model may sound good, but actual program results show the opposite. For example, Lyn A. Hogan, writing for the Democratic Leadership Council, observed:

"A more recent [Manpower Development Research Corporation] study conducted for HHS found that those JOBS programs placing recipients in

longer-term education and training programs were significantly less effective than those emphasizing immediate employment. . . . At the end of two years, the [Human Capital Development] model posted no overall significant impact on the employment or earnings of recipients In contrast, the [Labor Force Attachment] impact on employment was 8.1 percent, with earnings increases of 26 percent . . . when compared to the control group."

One reviewer of the Labor Department's JTPA study concluded, "On-the-job training is the best preparation for a better job. In fact, within JTPA, immediate job placement is one of the few services yielding positive results."

Welfare efforts have been tremendously successful in Oregon and the other states that have embraced a Work-First philosophy, with caseloads dropping by more than half. Key to this success is making Work First not just an announced strategy, but the day-to-day effort of the front-line workers.

The importance of work helps to explain why JTPA's Human Capital Development approach actually caused lower earnings for its young male participants. The most important traits that employers are looking for are the soft skills, such as attitude, communications ability and teamwork. But Robert Woodson, an activist working with the minority community, has observed how JTPA hurts their clients: "The programs instill a false sense of work in kids and make it difficult for them when they go out and try to get real jobs."

The second problem, lack of accountability, shows up repeatedly in reports of JTPA around the country. Despite Senator Quayle's promise of standards to evaluate what's working, most programs produced little data. They have occasionally produced fraud or self-dealing, sometimes high administrative costs (one Houston program spent less

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The Workforce Investment Act:
Lessons from JTPA
continued...

than 30% of its funding on programs) and sometimes useless “training” (students paid to serve their high school detention time). Whatever the manifestation, programs were not gauged by how well they served their participants.

Avoiding the JTPA Mistakes

The Workforce Investment Act has the potential for dramatic improvement over JTPA—but recall that JTPA had great potential relative to CETA. Implementation of the WIA will be critical. Fortunately, the WIA itself is based on the two great lessons of JTPA: 1) programs should operate with a Work-First strategy, and 2) programs must produce results in terms of employment and earnings. Implementation of the WIA must ensure that the program actually meets these legislated intentions.

First, incoming prospects for the WIA programs are to be evaluated at a “One-Stop Center” to determine the appropriate level of service. The One-Stop Centers should evaluate people as individuals, rather than first classifying a person into a group. That is, not all low-income teenagers have the same needs. One person may be immediately ready to work, while another may need to address a drug problem before any money is spent on training. This evaluation must be done on a strict Work-First basis, asking the question, “What will it take for this person to be employable?”

Second, One-Stop evaluations must be done by independent people whose work is to help others get jobs. Training staff have a conflict of interest here; their proper role is to provide training, not to determine if a person needs the trainer’s services.

Finally, boards charged with over-

seeing the WIA funds must demand accountability. They must demand data on the actual outcomes of participants, comparisons with nonparticipants of comparable backgrounds, and view employment as the ultimate test of “workforce investment.”

The Workforce Investment Act is an excellent blueprint for improved programs to help the disadvantaged and displaced. It’s implementation, however, will make or break the program, and deserves serious consideration of the failures of JTPA.

(References to the studies cited in this paper are available from the author by e-mailing Bill@ConerlyWhelan.com)

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The Institute’s goal is full employment - universal access to jobs with career potential for all who can work, especially those who are receiving public assistance as a substitute for the opportunities and rewards of paid work.

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The Institute offers consulting to any state that wishes to implement a Full Employment Program. Consulting services include: program design, training workshops and establishment of performance criteria.

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