11-30-2005

Job Training That Gets Results: Ten Principles of Effective Employment Programs

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Citation

Bernick, Michael S. 2005. Job Training That Gets Results: Ten Principles of Effective Employment Programs. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. <https://doi.org/10.17848/9781429454834>

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JOB TRAINING

That Gets Results

**Ten Principles of
Effective Employment Programs**

Michael S. Bernick

Job Training That Gets Results

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Ten Principles of Effective Employment Programs

Michael Bernick

2005

W.E. Upjohn Institute for Employment Research
Kalamazoo, Michigan

Library of Congress Cataloging-in-Publication Data

Bernick, Michael, 1953-

Job training that gets results: ten principles of effective employment programs /

Michael Bernick.

p. cm.

Includes bibliographical references and index.

ISBN-13: 978-0-88099-283-0 (pbk. : alk. paper)

ISBN-10: 0 88099-280-8 (pbk. : alk. paper)

ISBN-13: 978-0-88099-281-7 (hardcover : alk. paper)

ISBN-10: 0-88099-281-6 (hardcover : alk. paper)

1. Occupational training—United States. I. Title.

HD5715.2.B474 2005

658.3'124—dc22

2005026538

© 2005

W.E. Upjohn Institute for Employment Research

300 S. Westnedge Avenue

Kalamazoo, Michigan 49007-4686

The facts presented in this study and the observations and viewpoints expressed are the sole responsibility of the author. They do not necessarily represent positions of the W.E. Upjohn Institute for Employment Research.

Cover design by Alcorn Publication Design.

Index prepared by Diane Worden.

Printed in the United States of America.

Printed on recycled paper.

Dedicated to Marvin T. Levin and Jeremiah F. Hallisey.

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Acknowledgments

I'd like to acknowledge several workforce professionals and scholars who contributed to this book.

Bob Marr, who appears throughout the book, was EDD's training expert. Bob started at EDD in 1964 and was involved in every training initiative since the Manpower Development and Training Act of 1964 and the War on Poverty programs of the 1960s. Over all of these years, Bob never lost his enthusiasm for our field. Sadly, Bob passed away in May.

Lawrence Mead, professor of politics at New York University, is the nationally recognized authority on welfare policy. "In whatever direction we go, we meet him on his way back," writes W. Jackson Bate of Dr. Samuel Johnson's wide range of learning and willingness to share this learning with others. This encomium could be applied to Larry. He is an expert on welfare and employment, and he is always willing to take time with a colleague.

Leonard "Lefty" Gordon was the longtime director of the Ella Hill Hutch Community Center in San Francisco until his untimely death in 2000. Lefty and I collaborated on many projects over 25 years, including faith-based training initiatives and early welfare-reform projects.

Michael Krisman was EDD's associate director (and chief troubleshooter) under Governor Davis. Michael started in state government in 1974 with Governor Brown and brought a Brown-like skepticism to those government efforts that represented form over substance. "How does this help the job seeker in Glendale?" he would ask of a proposal to reorganize this or that at EDD. And the answer usually was that it didn't.

Other workforce professionals and researchers whose ideas are incorporated in the Ten Principles are Patrick Henning, expert in organized labor and my successor at EDD; Max Forman and Catherine Kelly Baird, experts on employment for workers with disabilities; Gay Cobb, Virginia Hamilton, and Michael Curran of California's local workforce community; UC Berkeley professor David Card; UC Santa Cruz professor Manuel Pastor; John Colborn of the Ford Foundation; Bob Giloth of the Annie E. Casey Foundation; and Michael Klowden and Ross DeVol of the Milken Institute.

I'd also like to acknowledge George Pla for his insights into state government, and Loraine Cory for running EDD during my time as director.

Finally, this is the fourth book I've authored or coauthored, and for none of the other three has there been an editor with the expertise and scholarship of Ben Jones. He is a craftsman in his own right.

1

Overview: The Ten Principles

This is a book about the big challenges facing workforce policy-makers and practitioners in the early twenty-first century.

As a practitioner on the local and state levels for more than 25 years—the last five as director of a state labor department—I have seen considerable changes in the job training world. Two areas, job training and welfare, have shown marked improvement: Our government-funded job training system has become more market-oriented and effective over time, and employment of welfare recipients has risen significantly since the federal welfare reform of the 1990s. In job training, the big challenges we now face lie in building on that market orientation and in positioning training in the face of the ongoing impact of technology and globalization on job opportunities. In welfare, the challenges lie in formulating the next stage of welfare reform, in increasing job retention, and possibly in skills upgrading for former welfare recipients.

In two other employment areas, workers with disabilities and the low-wage workforce, less progress has been made over the past 25 years. Despite the landmark Americans with Disabilities Act, unemployment among workers with disabilities has actually increased over the past decade, as has dependence of these workers on the government benefit program Supplemental Security Income (SSI). Similarly, despite extensive discussion in the press and in academia of the low-wage workforce, large segments of this workforce continue to show limited economic self-sufficiency and professionalism. Further, the skills upgrading and career ladder projects that have been tried so far have had little success in improving the skills or wages of this group.

Thus, these four areas—job training, welfare, workers with disabilities, and the low-wage workforce—each present distinct challenges for practitioners in 2005.

For five years, from 1999 to 2004, as director of California's Employment Development Department (EDD), the state's department of labor, I was involved in numerous employment initiatives, both state-wide and nationwide. These were aimed at restructuring job training

for Welfare-to-Work, and at restructuring training targeted at workers saddled with disabilities or low-wages. This book draws on the results of these initiatives, as well as on the results of other cutting-edge government- and foundation-funded efforts in recent years.

FOX AND HEDGEHOG: MANY THINGS VS. ONE BIG THING

“The fox knows many things, but the hedgehog knows one big thing.” In his 1953 essay “The Hedgehog and the Fox,” British philosopher Isaiah Berlin uses this line from the Greek poet Archilochus as a starting point for his division of intellectuals and writers into either “foxes” or “hedgehogs.” The foxes (Aristotle, Pushkin, Goethe, Shakespeare) deal in myriad ideas and truths, sometimes “unrelated and even contradictory.” The hedgehogs (Plato, Dostoevsky, Nietzsche, Dante), in contrast, “relate everything to a single central vision” or theme—“a single, universal organizing principle” (Berlin 1953).

Much of this book discusses the “many things” of the fox in making job training programs more effective. It identifies ways to improve performance among Workforce Investment Act (WIA) contractors, and it explores what the best uses of state discretionary WIA funds are. It also breaks down what makes an effective career ladder program, how postemployment welfare retention or skills advancement programs can succeed, and what kind of intensive training workers with disabilities must go through to get employment or keep their jobs.

However, running through the book is also the “one big thing” of the hedgehog: *policymakers and practitioners need to go well beyond the government program mind-set*. This central principle recognizes that a system of government programs, even when well structured, will reach only a small percentage of the unemployed and low-wage workforce, no matter how much money is spent. Going beyond this program mind-set means rationalizing the incentive structures of government benefits. It also means giving a greater role to extragovernmental networks.

Rationalizing the incentive structure is done by aligning benefits more closely with employment. Illustration can be drawn from the welfare system. For years, government job training programs enrolled welfare recipients and helped train and place them in jobs. Indeed, welfare

recipients form the group that has been most successful in job training from the 1970s to the present. However, the sharp drop in welfare rolls and the sharp increase in welfare recipients getting jobs came only when the incentive structure changed, starting with the Family Support Act of 1988 and culminating in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. Further, some of the best welfare-to-work results have come from efforts by extragovernmental groups: the faith-based and affinity groups.

Conversely, for years individual employment programs for workers with disabilities have successfully placed these workers in jobs. Despite this, unemployment among workers with disabilities increased over the 1990s as the incentive structure of Supplemental Security Income (SSI), the main benefit for workers with disabilities, went unchanged. The Clinton administration spent a lot of time trying to improve SSI's employment orientation through the drafting and promotion of its Ticket to Work and Work Incentives Improvement Act (TWWIIA), which President Clinton signed in December 1999. Yet the act's first four years of implementation brought no significant rise in the employment rate of workers with disabilities.

Among extragovernmental networks, the faith-based groups are prominently emerging in the employment field; they have had positive initial results in attracting volunteers and in motivating persons to work who have not been motivated by secular groups. Other promising employment and antipoverty projects are being tested using mutual-support affinity groups—groups of persons linked by race, ethnicity, or neighborhood who spur one another on in trying to achieve economic goals. The affinity groups show how much can be accomplished in gaining employment and self-sufficiency by families working together, outside of government structures.

THE TEN PRINCIPLES

As an organizational device, I have collected operational and policy lessons into Ten Principles. These principles are aimed at the professionals who design national, state, and local employment policy, as well as at the professionals who operate the training, both in the private and

in the public sector. In other words, they are aimed at both policymakers and practitioners.

When I was appointed EDD director in April 1999, our California state librarian and historian, Kevin Starr, called and advised, “Your office is a rare window on California government and policy; keep notes and write about your experiences.” Lawrence Mead, New York University professor and welfare scholar, made a similar recommendation: “Chronicle your experiences,” he said. Over the years as EDD director, I did keep extensive notes, taking time three or four days a week to write about our workforce initiatives, including both those that moved forward and those that did not, and about our internal debates and daily work life. These experiences are incorporated in the Ten Principles.

The Ten Principles start with several of the key employment dynamics today. Principle One discusses why a strong private economy does more to reduce unemployment than any government program. This point will seem obvious to many policymakers, but it is often missed in discussions of job training and its interaction with other economic forces. Principle One also discusses the enormous job creation that is ongoing through good times and bad, and its implications for training.

Principles Two through Eight discuss the big challenges in job training as they involve Welfare-to-Work, workers with disabilities, and the low-wage workforce. Three chapters are given over to the low-wage workforce and to career ladder projects. The low-wage workforce is the area of job training that is least developed, both conceptually and operationally. Among the outstanding issues: What mobility is possible, and for how many workers within a firm or an industry? What investment in training should be expected of workers, of employers, and of the industry? What is a sustainable skills upgrading model, one not dependent on short-term discretionary government training funds?

Principle Nine looks at extragovernmental networks, focusing on the Family Independence Initiative, based in Oakland, California. The project, which involves the aforementioned affinity groups, is the brainchild of Maurice Lim Miller, who spent 20 years running a government training program, eventually becoming convinced of the limits of government efforts.

Principle Ten brings job training into the new economic world of globalization, competition, and outsourcing.

THE CRAFT OF JOB TRAINING

Present in all of the principles is the theme of job training as a craft. By “craft” is meant mastery of a body of knowledge, as well as a code of behavior and a sense of social obligation. There is no exam that one passes to enter the job training field, no certification process or graduate requirement. Yet the practitioners who are craftspersons are those who have taken time to learn about past employment initiatives, their consequences (intended and unintended), and the ongoing shifts in job opportunities. They are like the craftspersons of the past, the silversmith or furniture maker or glass blower, in their concern for the work. They operate with an emphasis on results, not process; with integrity; and with a determination to develop a high-quality product.

Over the past 25 years, I have met such craftspersons as they fulfilled their roles at community-based agencies, local and state government entities, private firms, industry associations, labor unions, and private foundations. You will meet some of them in the next pages, as the Ten Principles are set out.

They are the true directors of employment.

2

How Practitioners and Policymakers Improved the Job Training World—and What Challenges Lie Ahead

In his autobiography, *Fragments of the Century*, Michael Harrington (1973) discusses his experiences in the 1950s and early 1960s as a union and socialist organizer, and why he left. “By the end of 1962, I felt that I was becoming a socialist jukebox,” he says. “For years I had crisscrossed the country, speaking, organizing, listening. I could answer most of the questions socialists are usually asked in my sleep—and sometimes nearly did. There was a real danger I would turn into a hack.”

That’s how I felt in late 1986 upon leaving as director of a local job training agency, the San Francisco Renaissance Center. I had run out of ideas and found myself repeating experiences and prescriptions—becoming a job training jukebox. Just as importantly, I felt that things were unlikely to change much in the job training world, particularly in regard to welfare dependency, rising teen pregnancy, and decaying inner-city areas. The orthodoxies that existed among foundation officers and staff, local government officials, and the congressional leadership stifled new policy directions.

But I was wrong. Over the next 13 years, things did improve in the job training world. Welfare and teen pregnancy approaches changed as policymakers and practitioners challenged the conventions about welfare recipients and jobs. Not only did welfare and teen pregnancy rates decline, but employment rates improved for former welfare recipients. Failed theories about inner-city neighborhoods were replaced by approaches that demolished high-rise housing projects, reclaimed inner-city land, and reestablished neighborhoods that valued families. Further, the job training world responded to job losses in manufacturing and other sectors by implementing a structure of retraining and reemployment that has become increasingly sophisticated over the past 20 years.

This evolution of employment programs, and, more generally, of antipoverty programs, is important to note. So often we hear that the antipoverty world is static, that nothing can change, that ideas have little impact. But ideas, and the willingness to act on them, did lead to reshaped policy and operation. Nowhere is this more true than in the response to the grim prospects that loomed over employment in the early 1980s: deindustrialization, the underclass, and inner-city chaos.

PART 1: MEETING PAST EMPLOYMENT CHALLENGES

Back, back, back. To 1980. A time when policymakers and employment professionals were haunted by several specters: The specter of permanent unemployment for a part of the American labor force as global competition and technology eliminated jobs, especially well-paid manufacturing jobs. The specter of a runaway underclass characterized by welfare, illiteracy, and crime. The specter of inner-city areas of high-rise housing projects so foreboding that even the police were fearful of entering.

Deindustrialization was one of the themes of the early 1980s: once-proud factories closing; great American industries such as steel and textiles unable to compete with companies in Japan, Taiwan, and elsewhere. The alarm sounded by *The Deindustrialization of America* (Bluestone and Harrison 1982) was taken up by politicians and the mainstream press, who were struck by its description of job losses in the auto and steel industries and its warning that America faced a permanent loss of its manufacturing base and decent-paying union jobs.

The book, subtitled *Plant Closings, Community Abandonment, and the Dismantling of Basic Industry*, argued that the big steel and auto companies were closing plants and moving jobs overseas not because these plants or their workers were deficient, but to maximize profits. Further, these plant closings were devastating for the workers, since these workers would never get equivalent jobs. Union steelworkers and autoworkers would go from middle class to working at 7-Eleven or at fast-food jobs for a fraction of their previous wages.

James Fallows, a former speechwriter for President Carter and national correspondent for the *Atlantic*, in 1984 visited the steel heartland,

the 35-mile stretch along Lake Michigan running west through Gary and Hammond to South Chicago and housing the densest concentration of steel mills in the world. Two of the large mills in the area, the Wisconsin Steel Works, with 3,400 steelworkers, and the South Works of U.S. Steel, also with more than 3,000 steelworkers, had been shut down in the early 1980s, and Fallows (1985) depicted the dislocation and hardships caused by these plant closings, the anger of the local union leaders, and the emotional and attitudinal distance of the corporate executives. As Fallows noted, these workers had become national symbols of economic collapse and middle-class decline:

If there is one widely accepted symbol of today's changing economy, the 1980s version of the allegorical Joad family hitting the road during the Depression, it is the proud steelworker who gets laid off in Youngstown and is reduced to flipping burgers for one-fifth his former wage. He is said to be more than an individual tragedy, for in his downfall lie the beginnings of a "two-tier" society and the destruction of the middle-class. (1985, p. 57)

Yet during the next two decades a two-tier society did not emerge. Although inequality in incomes did increase from the 1980s through the late 1990s, middle-class jobs also emerged, and even manufacturing made a comeback. Auto and steel plants continued to close in the 1980s, but the American market system proved highly resilient in creating new jobs, even in manufacturing, and at various income levels.

For example, in California, manufacturing employment averaged 2,012,700 jobs in 1979. By 1983, it had slipped to 1,927,000, but then it climbed to 2,068,000 by 1990. During the early 1990s, the loss of jobs in California's aerospace industry led to a decrease in total manufacturing employment. But, after dipping to 1,777,300 in 1994, manufacturing employment rebounded to 1,904,000 in 2001 (California Employment Development Department 2003).

The big job growth in California, as in other states, was outside of manufacturing. Civilian employment in California stood at an average of 10,566,000 in 1979. By 1990, total average civilian employment had grown to 14,319,000. It then declined slightly for the first five years of the 1990s, but by 2001 total civilian employment was up to 16,435,000.

Not only did the market respond, but so too did our job training profession. Beginning in the 1980s, the U.S. Department of Labor

(USDOL) added a reemployment and retraining system for laid-off workers. Workers who had been laid off became eligible for a variety of reemployment services: direct job placement, job search workshops, vouchers for retraining, funds to cover moving expenses. The program grew exponentially: in 1982, California received \$8.8 million in “dislocated worker” funds. By 1999, the federal dislocated worker funds for California totaled \$228 million. The process of job destruction and reemployment had become integrated into the training system.

Today this reemployment system is a sophisticated one, administered by city or county Workforce Investment Boards (WIBs), which are knowledgeable about the local economy. As soon as layoffs are announced, the local WIB will contact workers and meet with them to develop individual employment plans. Based on a worker’s particular situation, that worker may be placed directly into a job, or retrained, or provided assistance in moving to another area of the state or country.¹

The job paths of laid-off workers, including laid-off manufacturing workers, over the past two decades have taken many directions. Some workers fell significantly in pay and skills, as predicted by the deindustrialization theorists. But others landed decent-paying jobs in their former industries or in related industries, or through the retraining system. To take one example, in the late 1980s and early 1990s the aerospace industry in California went through enormous downsizing, shedding over 200,000 jobs. The conventional wisdom that emerged was that aerospace engineers and production workers would become either the long-term unemployed or hourly McDonald’s employees. In 1994, researchers at the RAND Corporation’s National Defense Research Institute decided to test this assumption by examining the earnings of laid-off aerospace workers over the previous six years.

Those researchers’ resulting work, *Life After Cutbacks: Tracking California’s Aerospace Workers* (Schoeni et al. 1996), used wage data for all 517,148 workers employed in the aerospace industry at the beginning of 1989 to track their earnings from 1989 to the third quarter of 1994. Their outcomes were compared with those of a random sample of 20 percent of workers in durable goods manufacturing in California at the start of 1989. This sample numbered 315,856 employees. The researchers found that the aerospace workers that had been laid off did not differ significantly in employment outcomes from other manufacturing workers in California laid off during this period. Twenty-five percent of

the workers experienced a reduction in wages of at least 14.8 percent by the end of the period. However, the other 75 percent not only were employed but showed wage growth of at least 4.5 percent. A full quarter of the workers showed wage growth of at least 23.8 percent. So although one in four of the laid-off workers did see their wages fall significantly, other laid-off workers managed to find jobs with aerospace companies, and even more were able to transfer skills to other industries, in part assisted by the retraining system established.²

A second employment specter of 1980 that failed to materialize as predicted—a failure that was due to the strength of the market and to policy changes in welfare and employment—was the underclass. In 1979 and 1980, before he became America's leading writer on the media, Ken Auletta researched and wrote about the job training world. He spent seven months sitting in on a job training class at the Wildcat Skills Training Center in Manhattan, and he tracked participants after they completed training and were placed in jobs.

The training class was part of a Manpower Demonstration Research Corporation (MDRC) national demonstration project targeted at four groups considered to be “hardest to reach”: long-term welfare recipients, ex-convicts, ex-addicts, and delinquent youths. The year-long project aimed to acclimate these unemployed workers to steady jobs. For the first seven months, trainees learned work orientation and job skills. For the next five, they did supported work in the private or the government sector.

Auletta called his book *The Underclass* (Auletta 1982), and the title reflects the thinking of the time that America was seeing a new class of poor people and facing a new threat. These poor were not like the immigrant poor of the past. They were not trying to advance through hard work. Instead, they were becoming more and more entrenched in their antisocial behaviors—welfare, teen pregnancy, crime, drug addiction.³

Auletta acknowledged that within the welfare population there were some with a strong work ethic and work orientation. But these were the exception, he said, in a new class that presented a new peril in America:

I had a vague sense when I began reporting this book back in mid-1979 that next to war and peace and the state of the economy, the underclass might be the most momentous story in America. Today, that vague sense has hardened into a conviction . . . I learned that the underclass, as Thomas Jefferson said of the Missouri Compro-

mise, is “like a firebell in the night.” It is both America’s peril and shame. (Auletta 1982, p. xviii)

Over the next 20 years, though, the fears of Auletta and others about a growing and permanent underclass were not borne out. Welfare rolls did not increase; rather, they declined. Nationwide, the number of welfare recipients fell by more than 50 percent from early 1994 to late 2000. In California, CalWORKs (California Work Opportunities and Responsibility to Kids), the main program for low-income families (the state’s successor to Aid to Families with Dependent Children), saw caseloads rise to 921,011 in 1995 and then drop steadily, particularly after the passage of the federal welfare reform act PRWORA in 1996. Figure 2.1 shows the falling CalWORKs caseloads, which were down to 516,591 family units in 2001—a decrease of 44 percent in six years.

As caseloads dropped (and former welfare recipients moved into jobs), opponents of the 1996 welfare reform bill claimed that the strong economy, rather than any change in government policy, was the main influence. This claim, though, became more difficult to argue after the economy softened post-2001 and welfare rolls continued to be low.

The teen pregnancy rates, after climbing through the 1970s and 1980s, have declined nationwide and in California since 1991, as Figure 2.1 also shows. The U.S. teen birthrate declined from 62.1 births per 1,000 in 1991 to 45.8 births in 2001, and the California teen birthrate declined even more, from 72.9 per 1,000 in 1991 to 45.2 in 2001.

Welfare scholar Isabel Sawhill of the Urban Institute links the decline in the teen pregnancy rates to falling rates of sexual activity among teens and to better contraception. She connects both of these factors to changes in government policy—to abstinence programs, to the time limits enacted in the 1996 welfare reform law, and to birth control programs.

The decline in the-underclass-as-social-specter was the result also of new government and private sector thinking on the scale and design of inner-city communities. Government-owned high-rise housing projects, which had the government acting as landlord, and the big-government-centric planning theories that held sway from the 1950s through the 1970s both were abandoned. In their place, housing that is privately owned, of much lower density (two to three stories), and that mixes income levels has taken root (Sawhill 2002).

Figure 2.1 A Comparison of California and U.S. Teen Birthrates Age 15–19 (per 1,000 females) and CalWORKs’ Annual Average Monthly Caseload, 1991–2001

SOURCE: Unpublished data from California Department of Social Services.

I recall in the early 1980s visiting job training groups in Chicago, Washington, D.C., St. Louis, and Philadelphia. These visits included tours of housing projects that towered over (and defined) inner-city communities, such as the Cabrini-Green and Robert Taylor projects in Chicago, or that sprawled over vast swaths of inner-city land, such as Nicholson Gardens in Los Angeles and East Capitol Dwellings in Washington, D.C.

Fast forward to 2000. Many of these housing projects either already have been torn down or are in the process of being torn down. East Capitol Dwellings, a 577-unit housing project spread over 40 acres along Washington’s East Capitol Street, is being razed to build a mixed-use project of market-rate and subsidized single-family homes, row houses, and some apartments. The notorious Cabrini-Green, which included 15 high-rises of 7, 10, or 19 stories, is being replaced by a series of mixed-use developments like North Town Village, which comprises 261 condominiums and town houses. In San Francisco, high-rise projects in the city’s Western Addition are being replaced by pleasant one- and two-story town houses.

Credit for this change goes to policymakers who were willing to question the conventional wisdom in how to design inner-city areas, who pushed for more home ownership for the poor, and who withstood the criticism advanced by self-styled advocates for the poor that mixing incomes in residential settings was inappropriate gentrification.⁴

PART 2: MEETING TODAY'S EMPLOYMENT CHALLENGES

Today, the big challenges for employment professionals are different from those of 20 years ago. There have been gains made, but there are also now a greater number of low-wage workers and workers with disabilities on government benefit rolls. Chapter 1 alluded to four areas of challenge, and it is worth introducing these four areas in more detail, to set the context for the Ten Principles.

1. Job Training in the New Economy, Technology, and Globalization

In the 43 years since the establishment of the Manpower Development Training Act (MDTA) in 1962, the forms of job training have not changed significantly. MDTA was a response to fears that automation was eliminating jobs, and it funded four major forms of training: 1) classroom instruction, 2) on-the-job training, 3) work experience, and 4) assisted job placement. These forms make up the bulk of the government-funded training system today.

At the same time, the performance of the training system has improved over the years as it has assumed a greater market orientation. Training programs today are more tied to local labor markets and specific job placement than in the past, and they show greater flexibility in adapting training to changing employer needs.

One challenge of the coming years is to build the market orientation and accountability of the state training systems and of the national system while maintaining a healthy network of community-based organizations and other private training providers.

Beyond this challenge lies another: that of positioning training in the face of technology and globalization. Technology destroys some jobs and creates others, and it is important to distinguish which new

jobs represent opportunities for the training system. For example, in 1999–2000, during the dot-com boom in California, thousands of dot-com firms arose quickly in that state, did considerable hiring, and then collapsed within two years. These firms left an impact on the state's employment: some of the dot-coms did survive, and they added to the state's job base. Far more important, though, was the growth of what we came to call "new-technician" jobs: jobs as network administrators, field service technicians, or customer service technicians in the Old Economy firms—the banks, insurance companies, law firms, and engineering firms. By 2002, these new-technician jobs were providing a new middle level of jobs and a niche for job training.

Technology also changes the skills required in existing jobs, from auto repair technician to office administrative assistant to medical billing operator. The training system largely has kept up with these changes, and it must continue to keep close to employers and to adapt training to new technology.

Globalization, as it increases job creation and destruction, will augment the role of job training for workers laid off or in danger of being laid off. It also will give greater prominence to job training organizations that are able to adapt rapidly to changing labor market opportunities, and it will give push to a broader workforce system of lifelong learning.

2. The Next Stages of Welfare Reform—Retention and Skills Advancement

At the time welfare reform legislation was enacted, in 1996, it was hotly contested, not only politically but also intellectually. Its prominent opponents in the welfare field—Marion Wright Edelman, Peter Edelman, Wendell Primus—claimed that poverty rates would go sky-high and that families would be thrown out into the streets.

They were wrong. Instead, as welfare scholar Sheldon Danziger (2002) concluded, "the increase in poverty predicted by critics of the 1996 law has not occurred." The welfare rolls decreased partly because recipients illegitimately collecting welfare went off the rolls, but mainly because recipients moved into jobs in unprecedented numbers. In California, 84,743 welfare recipients found jobs in the one-year period of July 1994–June 1995. Four years later, in the similar period of July

1998–June 1999, 141,836 welfare recipients found jobs—an increase of 67 percent.⁵

Most workforce practitioners knew (and said) in 1996 that the first jobs obtained by former welfare recipients would be low wage or less than full time. The skills and education level of most welfare recipients were limited—more than half in California lacked a high school diploma in 1995—and so were their work experiences.

But even in these lower-wage jobs, the former welfare recipients were almost always economically better off than if they had remained on welfare. The welfare reform of 1996 and its subsequent implementation by the states did succeed in “making work pay,” in President Clinton’s phrase. This was due to several important policy changes on the federal and state levels: the states expanded earnings “disregards,” which allow recipients to have earnings that do not offset welfare benefits; and the federal government expanded the Earned Income Tax Credit and increased child care subsidies. Harvard professor David Ellwood (2000) has estimated that in 1986 a single mother who left welfare for a full-time minimum wage job could expect to make about \$1,900 more than she was getting from the government—and lose her health benefits. By 1999, she was getting \$7,119 more and maintaining her health benefits.

While these economic improvements were important, they still left most former welfare recipients not very far above the poverty line. Further, even those former recipients with full-time jobs were often in shaky situations, where they were near quitting or the boss was near firing them.

By 1999, state and local employment administrators across the nation were on to the next stage of welfare reform: retention and skills advancement. The major research organizations—MDRC, Seedco, Public/Private Ventures—were testing approaches for keeping welfare recipients in jobs, for helping them find replacement jobs quickly if they lost a job, or for teaching them skills to advance.

In California, retention and skills advancement was the top item in the governor’s 1999 welfare agenda. The goal: to try to prevent former welfare recipients from falling back out of the labor market and to assist them in gaining work experience and skills, thereby advancing in wages.

This was a big challenge, since the few attempts in California from 1996 to 1998 at retention and advancement showed little success. Job skills classes at night and on weekends for former welfare recipients were not well attended. Employers had little interest in or ability to implement on-the-job skills upgrading. Computers placed in former welfare recipients' homes to encourage on-line training sat idle.

3. The Lack of Economic Self-Sufficiency, Mobility, and Professionalism among Large Segments of the Low-Wage Workforce

By the start of the twenty-first century, the underclass had been replaced as the topic of the government/foundation complex—the studies, conferences, and symposia—by another group construct, the working poor. By “working poor” is meant Americans working full time or nearly full time but not earning enough to be above, or very far above, the poverty line.

This focus on the working poor reflects several concerns among practitioners and policymakers today. Chief among these are income inequality, the increased demands on government services by the low-wage workforce, the high turnover in low-wage jobs, and the lack of quality and craftsmanship in these jobs.

Figure 2.2 shows family income inequality in California and the United States over a 30-year period. It does so by charting the ratio of the income of families at the 75th percentile to the income of families at the 25th percentile. The income inequality is greater in California than in the nation, due in large part to the influx to California of immigrants with limited literacy and job skills. However, income inequality grew throughout the United States from 1979 to 1993, before leveling off for the rest of the decade (Daly, Reed, and Royer 2001).

No income or wage distribution, however unequal, is by itself a sign of social dysfunction or injustice. An unequal income distribution can be justified on the varied grounds of rewarding hard work, or risk, or economic efficiency, or growth. Yet as a nation we celebrate the political and economic stability of a large middle class.

Further, a large working-poor population draws on government benefits. Government programs providing welfare, health care, housing, and Food Stamps serve not only unemployed workers but also workers

Figure 2.2 Ratio of Income of Families in 75th Percentile to Income of Families in 25th Percentile, California and Rest of the United States, 1969–1999

SOURCE: Daly, Reed, and Royer (2001).

who earn below certain income levels (based on family size). Thus, low-wage workers unable to pay on their own have their costs of health or housing or food socialized—that is, paid for by the government. In a recent study, “The Hidden Public Costs of Low-Wage Jobs in California,” three University of California, Berkeley, researchers estimate that \$10.1 billion, or nearly half of the \$21.2 billion received in public assistance by California residents in 2002, went to families whose working members earn too little to be self-supporting. In other words, nearly half of all public assistance in California goes to working families. In select industries, notably agriculture, low wages are highly subsidized by the government through unemployment insurance. In such cases, low-paid workers are employed part of the year and collect unemployment insurance for the remainder (Zabin, Dube, and Jacobs 2004).

In several key industries, the low-wage workforces are characterized by high turnover and low-quality service. A recent study of low-wage

direct-care workers in California nursing homes found that over a three-year period 60 percent of these workers left their initial firm and more than 50 percent left the long-term care field (Ong et al. 2002). Similarly, high turnover has plagued child care, where studies have found that fully half of child care aides were no longer in the field after four years. With workers coming and going, nursing homes, child care centers, and other low-wage employers (including hotels, motels, and restaurants) express frustration at trying to maintain a high level of service.

In the past decade, the working poor have become a topic not only of studies and monographs but also of several books by journalists and novelists. *Nickel and Dime*d, by Barbara Ehrenreich (2001), is by far the best known. Ben Cheever's *Selling Ben Cheever* (2001), Iain Levison's *A Working Stiff's Manifesto* (2002), and Don Snyder's *The Cliff Walk* (1997) are other prominent contributions to this genre of the working-class work world.

This new journalism on the low-wage workforce is a departure from the journalism of the previous three decades, which focused on welfare recipients and the unemployed poor through books such as Elliot Liebow's *Tally's Corner* (1967), George Gilder's *Visible Man* (1978), and Leon Dash's *Rosa Lee* (1996). The new journalism reflects a concern about the polarization of jobs that has grown beyond the job training profession.

As discussed more fully in Chapter 5, this new literature, particularly *Nickel and Dime*d, does not tell the full story on the economics and mobility of the low-wage workforce. There is more movement upward among the low-wage workforce than is portrayed in these books and in the mainstream press. But the books do succeed in capturing characteristics of many low-wage jobs, including the absence of investment in the skills of workers and the lack of reward for craftsmanship or quality.⁶

In response to these broadening concerns over the low-wage workforce, state and local governments and private foundations are turning to skills upgrading approaches. These approaches, often termed "career ladders," seek to increase the wages of low-paid workers through improving their skills and productivity and thus their ability to advance.

At this point, career ladders are less developed than other elements in the job training world, hence they face conceptual and operational obstacles. Though publicly funded skills upgrading projects for low-wage workers have been part of the job training landscape for over

30 years (I can recall the health care career ladders Governor Brown launched in 1978, when I was first in Sacramento), these projects have never obtained much scale or sustainability. Today, job training professionals are faced with the challenge of designing skills upgrading

- that employers will adopt as being of value,
- that is sustainable,
- that is of some scale,
- that yields a wage increase—

and of doing all of this while meeting other responsibilities with federal workforce funds that are not expanding.

4. Workers with Disabilities

While the welfare rolls declined during the 1990s, nationwide the rolls of two other government benefit programs, Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI), sharply increased. By 1998, 3.6 million adults were unemployed and receiving SSI, and another 4.6 million were unemployed and receiving SSDI.

Many of these workers have physical disabilities. An even greater number have either developmental disabilities or mental health issues. In California in January 2003, the combined number of SSI and SSDI recipients was 980,000—larger than the size of the labor force of most states.

This growth in SSI/SSDI parallels the increase in the unemployment rate for workers with disabilities. The conventional wisdom is that, following passage of the Americans with Disabilities Act in 1990, unemployment among workers with disabilities declined. In fact, several data sets show that the employment rate for these workers held static or even decreased in the late 1990s.

The SSI/SSDI population has not received the attention that the welfare population has in recent years, nor the push to employment. But that is beginning to change, and for good reasons. Some of these reasons involve the costs to federal and state government of having such a large (and growing) number of workers on long-term SSI/SSDI. Another reason is more positive: employers recognize the promise of workers with disabilities in today's highly complex and specialized la-

bor market. These workers bring strengths to many jobs, above those of other workers. They bring specialized skills and often a work loyalty not possessed by other workers.

The task for practitioners today lies, on one level, in designing targeted, effective efforts that can build an inclusion model: a model to include workers with disabilities in mainstream employment rather than place them in separate workplaces or sheltered workshops. On another level, the task is to restructure government benefit programs to encourage employment rather than long-term reliance on SSI/SSDI.

GOVERNMENT SHOULD BUILD ON THE STRENGTHS OF LOW-INCOME FAMILIES AND COMMUNITIES

In their efforts to address these four areas of challenge—job training for the changing world, retention and skills advancement, the lack of results in the low-wage workforce, and the growing number of workers with disabilities—practitioners would do well to explore how to use extragovernmental networks to build on the strengths of low-income families and communities, not prop up their weaknesses. Rather than looking at poor communities as social pathologies, as much of antipoverty thought has done over the past 40 years, perhaps it would be more accurate and more helpful to look at these communities for their strengths—the ambition of individuals, the formal and informal associations of neighbors, the churches, and the faith-based groups.

The current structure of antipoverty programs has its roots in the Johnson administration's War on Poverty, designed by federal government officials from 1964 to 1966. Though he was outside government, Michael Harrington played an important design role through the influence of his book on the poor, *The Other America*, first published in 1962. Harrington was one of the most learned and original public intellectuals of the past 50 years, but his ideas on poverty were deeply flawed, and they came to undermine antipoverty efforts for years to come.

During the 1950s, Harrington had traveled throughout the United States as a volunteer or low-paid organizer for the civil rights movement, unions, and the Young People's Socialist League. Encouraged in 1958 by the editor of *Commentary* magazine to write an article on

poverty in America, Harrington did a series on the poor, describing their numbers and conditions. This became *The Other America*.

Harrington not only attempted to quantify the poor (which he estimated at between 40 and 50 million Americans) but to give a face to them ("the unskilled workers, the migrant farmworkers, the aged, the minorities, and all the others who live in the economic underworld of American life"), and most of all to emphasize what he called the "culture of poverty." The poor not only lacked resources, they were beaten down, he said: "The American poor are pessimistic and defeated, and they are victimized by mental suffering to a degree unknown in Suburbia" (1962, p. 2).

They could not help themselves; they needed a hand up. Only one institution could provide this help—the federal government, with, as Harrington called it, a "comprehensive assault on poverty."⁷ Reflecting this view, President Johnson's War on Poverty created a new anti-poverty apparatus, based in the federal government, to spread money around for community action, job training, housing, counseling, and mental health.

Even as the War on Poverty bureaucracy arose, critics questioned its basic assumptions about the poor. Were the poor really so beaten down and pessimistic? And, if they needed help, was the federal government the right source of help? Were not the main beneficiaries of the War on Poverty the middle-class administrators and consultants who received jobs or contracts?

In subsequent years, the questioning has intensified, fueled by the success of immigrant groups, especially immigrants from Southeast Asia, in moving out of poverty. Since the 1970s, such immigrant populations have started businesses, bought homes, and accumulated assets. They have done so often without any of the Great Society government programs of the 1960s, using only the assistance of familial associations and the pooling of resources. And not only immigrants: millions of nonimmigrant Americans have advanced out of poverty during this time, without government antipoverty programs but with the assistance of faith-based associations.

For years, private foundations have funded extragovernmental efforts aimed at duplicating immigrant networks so as to assist poor families in working together to address their unemployment, their limited education, or their lack of assets. In the past few years, using legislation

passed during George W. Bush's first term as president, the federal government and state governments have begun to fund faith-based groups, especially in inner-city and rural areas. Such groups utilize volunteers in striving to help families work together.

The extragovernmental networks challenge practitioners to think outside of the government-program mindset. They lead us to ask: What is the appropriate domain of government programs, and when should we look beyond government? Among extragovernmental networks, what are the most effective roles for the faith-based groups, the neighborhood associations, and the networks of families? How can those of us in government or private foundations best support efforts outside of government—and does government or foundation financial support actually harm these efforts?

Princess Margaret and the Matchmaker

Now-retired *New York Times* columnist William Safire, from time to time, used to tell the chestnut from the 1950s about Princess Margaret and the matchmaker: “A Jewish matchmaker had the idea of matching up poor Sammy—a nebbish and a schlumph—with Princess Margaret, then the world's most eligible woman. Sammy's mother would not hear of it: The princess could not cook and was not Jewish. After weeks of persuading, with the matchmaker showing how the alliance with British royalty would help Israel, the mother gave her grudging approval. The matchmaker heaved a sigh of relief and said, ‘Now for the hard part.’”

Identifying the challenges for job training practitioners today is the first step. Now for the hard part.

Notes

1. For example, in 2000, the Northern Rural Training and Employment Consortium (NoRTEC) Workforce Investment Board and the North Central Counties Consortium (NCCC), the two WIBs covering the rural and timber areas of northern California, applied to the State of California seeking dislocated worker funds for 770 workers affected by closures and layoffs in the region. Given that the official unemployment rate in the region was over 14 percent, we were skeptical about what jobs the laid-off workers could be trained for. The WIBs' approach was a mix of training for health care (the one sector expanding), facilitating the hiring

- of workers by individual employers, and providing financial support and direction for some workers to move out of the area.
2. In *Does Training Work for Displaced Workers? A Survey of Existing Evidence*, Duane Leigh (1990) of Washington State University reviews research on the effectiveness of government-funded retraining programs for laid-off workers. Job search assistance shows strong positive impacts on earnings and placement rates, while the other training forms show less dramatic impacts but often gains.
 3. For another example of the policy elites' belief that there is a growing underclass, see Lemann (1986).
 4. Two national studies, both issued in May 2003, show dramatic declines in the concentration of poverty in urban slums. Jargowsky (2003) defines high-poverty neighborhoods as ones in which at least 40 percent of the people live in poverty. He finds that nationwide the number of people living in such neighborhoods fell by 24 percent from 1990 to 2000. Kingsley and Pettit (2003) find that in Detroit the drop was even more precipitous: the number of people living in high-poverty neighborhoods fell by 74 percent. In part, though, this reflects the drop in population in these low income areas during this period. Even so, Kingsley and Pettit note, "This shows that nothing is inevitable; the cycle of poverty can be reversed."
 5. Testimony of Bruce Wagstaff, Department of Social Services, during the California State Legislature's Joint Oversight Hearing on CalWORKs, February 27, 2001.
 6. Cheever, an out-of-work novelist and journalist and the son of John Cheever, takes a series of low-wage jobs over several years and writes about the artistry he finds among his co-workers. The low-paid sales staff at CompUSA and at Nobody Beats the Wiz impress Cheever with their commitment to serving customers. Cheever, though, sees in these jobs—and in others as a Burns security guard, a sandwich maker, a car salesman—too few rewards for quality and too few opportunities to increase pay or position.
 7. For a fuller discussion of the role of Harrington and *The Other America* in shaping the War on Poverty, see Isserman (2000).

3

Principle One: The Unemployment Rate

A Strong Economy Does Far More to Reduce Unemployment Than Any Government Program

During 1999 and 2000, the first two years of the Davis administration in California, the unemployment rate in the state dipped below 5 percent. In several major urban counties—San Diego, Orange, Santa Clara—it reached lows of less than 3 percent. Then, in March 2001, the state rate began to climb, and it rose slowly over the next two years until it hit 6.5 percent in late 2002—not high by historical standards but well above what Californians had become accustomed to. In the first days of January 2003, having won reelection the previous November, Governor Davis announced that the top three priorities of his second term would be “jobs, jobs, jobs,” and a task force of agency secretaries and department directors was formed to analyze recommendations for a jobs strategy (Gledhill and Marinucci 2003).¹

Many of the recommendations that we on the task force received from advocacy groups focused on increased public spending, on public works, or on direct government job creation. Though the desire for such remedies is common in times of higher unemployment, the recommendations misunderstand the role of government and of government programs in influencing the unemployment rate.

When we talk of designing job training and employment programs, it is important to place those designs in the context of private sector job creation. So, in Principle One, we start with three truths for practitioners on the relation between the unemployment rate and efforts by state and local governments to lower it:

- 1) A strong private sector economy has far more impact in reducing unemployment than does any government program—and also far more impact in reducing unemployment for the least-well-off workers.

- 2) Even when the unemployment rate is high, there is an enormous amount of job creation. Each month in California, in good times and bad, at least 300,000 jobs are created. Policymakers too often focus on the publicized job layoffs and miss the jobs being created, usually in small increments of 1 to 10.
- 3) The national economy, as indicated by the U.S. unemployment rate, is by far the single greatest determining factor in the state's unemployment rate. State government can exercise some impact on joblessness, though, through its administration of job training and welfare funds, as well as through its more general policies to promote private business growth.

FIRST TRUTH: THE BEST EMPLOYMENT PROGRAM IS A STRONG ECONOMY

During 1999, 2000, and 2001, California had some of its lowest sustained unemployment since the late 1940s. Figure 3.1 shows the annual unemployment rate in California from 1971 to 2002. In the majority of these years, the rate was above 7 percent, and in only two years, 1988 and 1989, was the rate low enough to even approach the average rate of 1999–2001.

Moreover, in a number of the large urban counties of California—San Diego, Orange, Santa Clara—the unemployment rate was under 2.5 percent for many of the months of 1999 and 2000. In Santa Clara County, a county with a labor force of more than 1 million, the rate dipped to 1.6 percent in December 2000, and in Orange and San Diego counties, each with a labor force of more than 1.4 million, the unemployment rate dropped to under 2 percent in late 2000.

What caused this low unemployment? Was it an increase in job training or in antipoverty funds? A different type of job training? Government job creation? Overwhelmingly, the low unemployment was the result not of job training or antipoverty programs or government job creation, but of a strong private economy.

During 1999 and 2000, the job training funds spent in California (primarily a combination of Workforce Investment Act, adult education, community college, and Employment Training Panel funds) were

Figure 3.1 Unemployment Rate in California, 1971–2002
(%, annual by average)

SOURCE: Unpublished data from California Department of Social Services.

not significantly greater than those that had been spent in the previous decade. Further, the job training and antipoverty groups funded were the same groups funded in previous years. And with unemployment so low, there was no federal or state government job creation effort.

In late 2000, when Oakland mayor and former California governor Edmund “Jerry” Brown Jr. joked to me that “you’re the most successful EDD director ever,” he was quick to add, “Actually, the only way that EDD can really impact California unemployment is if you laid off all of your 10,000 workers.” Even this comment overstated EDD’s impact, though, since 10,000 additional Californians becoming unemployed would not significantly affect the unemployment rate in a civilian labor force of more than 17 million Californians, altering it by only six one-hundredths of 1 percent.

That a strong private economy is the main determinant of jobs and good wages is widely recognized by economists—and usually is the starting point for their discussions of employment programs. The principle is highlighted in three recent works by economists that are among those I recommend to EDD staff and other professionals in my work as

a research fellow with the Milken Institute. All three make the point of the central importance of a strong private economy to jobs and wages, especially for the most vulnerable workers. These works are described under the following bullets.

- In *Finding Work: Jobs and Welfare Reform*, the volume's editors, David Card, professor of economics at the University of California, Berkeley, and Rebecca Blank, dean of the Gerald R. Ford School of Public Policy at the University of Michigan, have collected studies on the employment and wages of low-skilled workers, especially former welfare recipients. Their introduction notes the strong run of the national economy from the end of the 1991 recession to 2000: unemployment nationwide reached a 30-year low by the end of the decade (Card and Blank 2000, p. 2). Not only did the proportion of the population with jobs rise, but employment among the least skilled workers increased the most, as seen in Figure 3.2. Further, as Figure 3.3 shows, low-paid workers, especially men, experienced noticeable wage gains.
- In "Area Economic Conditions and the Labor Market Outcomes of Young Men in the 1990s Expansion," Richard Freeman, Ascherman Professor of Economics at Harvard University, and William Rodgers, Cummings Professor of Economics at the College of William and Mary, pose the query, "To what extent has the 1990s boom improved the labor market outcomes of young non-college-educated men? How much has the boom helped young African American men who are the most disadvantaged and socially troubled group in the U.S.?" (Freeman and Rodgers 1999, p. 3). The authors study employment and earnings data during these periods and conclude that "young men in tight labor markets in the 1990s experienced a noticeable boost in employment and earnings," including low-income African American youths (pp. 19–20).
- In "Recession and Reaction," Manuel Pastor, chair of Latin American and Latino Studies at the University of California, Santa Cruz, and Carol Zabin, associate chair of UC Berkeley's Center for Labor Research and Education, examine employment and earnings of low-wage workers in California. During the boom years of 1999–2000, employment and wages of low-paid

Figure 3.2 Unemployment Rates by Education Level
(%, men and women age 25 and over)

SOURCE: Unpublished data from UC Berkeley professor David Card.

Figure 3.3 Real Hourly Wages of Men Age 16 and Over (2001 \$)

SOURCE: Unpublished data from UC Berkeley professor David Card.

workers made significant gains and reversed the growing income inequality of the previous decade. When the economy worsened in 2001–2002, the gains in people working and in wages for the lowest quintile of workers largely disappeared (Pastor and Zabin 2002).²

All of these economists argue for targeted policies to help low-skilled and low-wage workers, even in times of strong private growth. Card and Blank (2000, pp. 12–13), for example, note that wage subsidies (the Earned Income Tax Credit and enhanced earnings disregards) and financial incentive programs (health care and child care subsidies) have shown an ability to increase the employment and hours of less-skilled workers in good times and bad. Yet Card, Blank, and the other economists recognize that private sector growth is a more powerful catalyst for less-skilled workers than any of these targeted policies.

In early 2003, EDD joined with the San Francisco Foundation to sponsor a half-day session on the working poor in the Bay Area as part of the California Adult Education Administrators' Association's annual conference in San Francisco. Manuel Pastor, the keynote speaker, made a PowerPoint presentation on "Bridges and Barriers: Navigating Work in California's New Economy." Pastor (2003) carefully went over the data on the area's low income households by number of hours worked, ethnicity, geography, and industry sector. One of the presentation's pages was called "Is There a Recipe to Lift the Bottom?" Two ingredients to the recipe were "Education and training for life-long development" and "New networks and connections to overcome isolation." But Pastor emphasized that the greatest impact would come from general economic growth, which during the late 1990s sharply reduced the poverty rates of all ethnic groups in California—most of all African Americans and Latinos—as shown in Figure 3.4.

During the first months of President Clinton's administration in early 1993, a spirited debate took place on reducing unemployment (Woodward 1994). The discussion pitted, among others, Robert Rubin, secretary of the treasury, against Robert Reich, secretary of labor and self-proclaimed advocate for the poor in the administration.

Reich argued for a massive job creation and job training effort. During the 1992 campaign, Reich had proposed a guaranteed federal retraining program for anyone poor, unemployed, or on welfare; the program would provide an income subsidy for two years. The idea was

Figure 3.4 Poverty Rates for Californians by Race, 1991–2001

SOURCE: Calculations by UC Santa Cruz professor Manuel Pastor, based on the March 2002 Supplement of the Current Population Survey, U.S. Census Bureau.

rejected by Clinton after his economists pegged the cost at close to \$100 billion. Now, in the administration's first 100 days, Reich was back, pushing a program of large-scale government expenditures in education and training.

Rubin argued for holding the line on government spending, as part of a strong approach of deficit reduction. The deficit was increasing and by 1997 would threaten to reach an unprecedented \$360 billion. This deficit, unless checked, would bring higher interest rates and would reduce dollars for private investment. Though workers on welfare or unemployment might not see as much job training money, they would gain by deficit reduction through job creation (Woodward 1994).

President Clinton largely followed Rubin's approach. As the deficit declined, the economy did rebound, showing a sustained economic expansion from 1993 through 2000.

SECOND TRUTH: AN ENORMOUS JOB CREATION GOES ON THROUGH GOOD TIMES AND BAD

In 2002, EDD researchers undertook the most extensive tracking of job creation and destruction ever done in California. Using payroll reporting data, EDD researchers tracked job changes (creation and destruction) that had taken place over a 36-month period, from the start of 1999 through the end of 2001 (Hardiman and Holden 2003).

Figure 3.5 shows the job creation and destruction tracked by quarter over the three years. In each of these quarters, job creation totals more than 900,000, meaning that at the very least 300,000 new jobs were created per month. And in the 10 quarters for 1999, 2000, and the first half of 2001, job creation remains above 1 million.

Figure 3.5 California Job Creation and Destruction by Quarter, 1999–2001 (in millions of jobs)

SOURCE: Unpublished data from California Employment Development Department.

Job destruction is more variable and seasonal. Yet in each of the quarters job destruction totals more than 750,000. It peaks in the first quarter of 2001, when it tops 1,300,000.

The job creation and destruction levels vary by industry and by time of year. Agriculture is by far the most volatile industry, with creation ranging from 12 to 42 percent of average quarterly employment and destruction ranging from 9 to 45 percent. In contrast, construction and retail trade vary no more than 7 points in either creation or destruction: construction ranges between 9 and 16 percent; retail trade between 5 and 12 (Hardiman and Holden 2003, pp. 16–17).

The very active job creation and destruction we see depicted is not limited to California. This dynamic is present throughout the nation. For the fourth quarter of 1999, the Bureau of Labor Statistics reported the national job creation rate at 8.3 percent (compared to 8.5 for California) and the national job destruction rate at 7.4 percent (7.3 for California). Individual studies on job creation/destruction rates for the state of Vermont, the Washington-Baltimore region, and the Rust Belt cities of Michigan, Ohio, and Pennsylvania found these rates to be only slightly less than California's (Faberman 2001, 2002; Vermont Department of Employment and Training 2004).³

The job creation/destruction data have several meanings for local and state practitioners:

- The major job layoffs that dominate newspaper coverage (i.e., the Silicon Valley layoffs, such as Agilant dismissing 2,200 workers) in truth are not a major part of the jobs lost or gained. In California, even if a layoff totals 1,000 workers over three months, it amounts to less than 1 percent of the jobs gained or lost during this period.
- Even in job sectors that overall are losing jobs, there will be many job openings. In recent years, sectors such as technology and health care justifiably have been given great attention, as they have been and will continue to be big job gainers, both in rate of growth and in absolute job openings. However, even sectors like construction, wholesale trade, and transportation—not projected to be big job gainers—will have numerous openings, from turnover of jobs as well as turnover of personnel.

- A healthy local or state economy is not one that is not losing jobs but one that is generating enough jobs to keep up with or ahead of job loss: The “creative destruction” of the market economy that the Moravian-born Harvard economist Joseph Schumpeter (1943) could discern and write about more than 60 years ago continues to be the hallmark of the market economy today.

THIRD TRUTH: STATE AND LOCAL GOVERNMENTS CAN AFFECT THE STATE UNEMPLOYMENT RATE

Though the national economy is the main factor in the state unemployment rate, state and local governments affect this rate by their ability to influence the factors conducive to business growth and by their ability to effectively operate job training and placement programs. Figure 3.6 shows the national unemployment rate and the California unemployment rate from January 1993 to January 2003. The state rate closely tracks with the national rate, declining during the mid-to-late 1990s as the national rate declines, and increasing from 2001 onward as the national rate increases.

“What can a state government do to impact the unemployment rate?” asked the governor’s communications deputy director, Dennis Petrie, when we first discussed Governor Davis’s jobs initiatives in late 2002. After seeing Figure 3.6, he e-mailed, “Are we extraneous?”

“Not exactly,” I wrote back. “A state impacts the unemployment rate in several ways.”

First, there is the impact a state can have by keeping business taxes low and providing the other components of a healthy business environment, particularly public safety and transportation. The relation between state tax rates and business growth is highly inexact: it is roughly estimated that a 10 percent tax increase reduces economic activity by 1 to 3 percent.⁴

Beyond these efforts, the state can generate jobs through state spending on transportation, housing, and school construction. In 2002, California voters passed the largest education bond in the history of the state, \$13 billion (including \$11.4 billion for school construction), and that same year they approved a \$2.1 billion housing bond.⁵ Expedi-

Figure 3.6 U.S. and California Monthly Unemployment Rates, January 1993–February 2003 (%)

SOURCE: Unpublished data from California Employment Development Department, Labor Market Information Division.

ing the approval and construction of these facilities by rapidly processing them through the environmental impact assessment and permitting stages offers a means of jump-starting the state economy.

Further, the state is able to direct federal job training funds to those sectors and occupations where they will have the greatest employment impact. By early 2003, there were not a lot of jobs for which employers could not find workers. Two that did exist, and continue to, are nurses and math and science teachers. To the extent that the state makes these jobs targets and aims its federal training funds at the Californians least likely to find jobs on their own, it maximizes its impact on reducing unemployment.

So a state government, if not the main driver of its unemployment rate, need not be a potted plant. At the same time, state government, as embodied by its governor, should not overpromise or try to claim

undue credit, as is the temptation for some governors. An example is Michael Dukakis, three-term governor of Massachusetts. In his 1988 presidential campaign, Dukakis took great credit for the “Massachusetts Miracle”—the growth of high-tech industry in Massachusetts during the 1980s and the decline of the state’s unemployment rate to under 3 percent. Dukakis’s staff, with the candidate’s approval, convinced the national press to write stories about Dukakis’s policy acumen.⁶

Unfortunately for Dukakis, after he lost the presidential race, he remained governor for two more years. The Massachusetts economy soured, unemployment increased, and he decided not to seek reelection to a fourth term. His campaign book, titled *Creating the Future: The Massachusetts Comeback and Its Promise for America* (Dukakis and Kantner 1988), faded from view.

Notes

1. Gray Davis, State of the State Address, January 8, 2003. During the spring of 2003, nearly every day brought new attacks on the Davis administration for cuts made in the state budget and for the high state unemployment rate. The budget deficit had climbed steadily during 2002, from \$3 billion early in the year to \$10 billion, \$15 billion, and then to \$35 billion by November. Since by the state constitution California government cannot run a budget deficit, the governor was required to either raise taxes significantly or cut spending significantly. Davis proposed a middle course of both tax increases and program reductions, which brought criticism both from the Republicans in the legislature who opposed tax increases and from the Democrats who opposed program cuts. Each day brought a new protest rally to the capitol steps. One day in March 2003, 5,000 community college teachers, administrators, and students marched from Tower Bridge to the capitol to protest cuts in the community college budget; on other days, protest rallies were held by advocates for the disabled, for welfare recipients, or for neighborhood health centers.
2. See also Wilson (1996). Though Wilson, Geyser University Professor at Harvard University and director of the Joblessness and Urban Poverty Research Program, ranges widely in *When Work Disappears* to advocate a number of big government approaches—public works job creation, regional government, new job placement centers in inner cities—at the book’s center is the recognition that private sector job creation (or the lack of it) is the driver of inner-city poverty. Several recent Century Foundation books treat income inequality, including Galbraith (1998); Herzenberg, Alic, and Wial (1998); and Osterman (1999).
3. For overall job creation and destruction in U.S. manufacturing, see also Davis, Haltiwanger, and Schuh (1996).

4. In a review of the literature on the relation between state business taxes and economic activity, economist Timothy Bartik (1994) of the Upjohn Institute concludes that the average estimate is -0.3 , meaning that if taxes are raised by 10 percent, economic activity will be reduced by about 3 percent.
5. Office of the Governor, "The Build California Initiative," March 5, 2003.
6. Dukakis encouraged this praise, solemnly telling the press how he carried articles about Swedish land planning to read on his campaign plane.

4

Principle Two: Job Training

Build on the Market Orientation of Effective Job Training Programs to Build an Effective Job Training System

The Workforce Investment Act of 1998 (WIA), centerpiece of the government's job training system, distributes more than \$8 billion in funds nationwide each year.

How can this money be spent most effectively by job training operators today? Over the past two decades, job training programs have improved in performance as they have become more market-oriented—that is, more tied to local labor markets and job placements. How do we build on these gains, and how do state and local administrators build systems of effective training beyond individual projects?

Further, what should we expect from our job training system? How much can an effective job training system increase wage rates or placement levels? More generally, how much can it influence the unemployment rate? What can we say to the criticism of job training as merely shuffling around the unemployment?

PART 1: HOW THE CURRENT JOB TRAINING SYSTEM EMERGED OVER THE PAST 40 YEARS

To understand the current job training system, it is valuable to summarize how it has emerged over the past 40 years. The forms of training—the ways training is done—have remained similar throughout this time.

The Manpower Development Training Act (MDTA), enacted in 1962, is the foundation of the current system. MDTA was a response to fears that automation was eliminating jobs, and to the belief that work-

ers needed new skills to compete in the emerging technological and service economy of the 1960s and 1970s. Respected labor economists predicted that manufacturing workers, including autoworkers and steelworkers, would soon be extinct.

MDTA funded four major forms of training: classroom instruction, on-the-job training, work experience, and assisted job placement. In San Francisco, the first MDTA training, in 1963, featured 26 weeks of classroom instruction in clerical skills for unemployed, mainly low-income adults recruited by EDD. The training was a mix of typing, shorthand, remedial English, and a course called the "The World of Work." Subsequent MDTA training in San Francisco taught other practical skills: auto mechanics, upholstery, television repair, and medical secretarial.¹

MDTA continued through the 1970s, augmented by four job training programs begun in the 1960s that focused on the unemployed in inner-city areas. The Concentrated Employment Program (CEP), New Careers for the Poor, Job Opportunities in the Business Sector (JOBS), and the youth-focused Neighborhood Youth Corps (NYC) were all government-funded efforts to provide training, work experience, or direct job placement to reduce unemployment, targeted at center-city areas.²

In 1974, these job training programs were consolidated under the Comprehensive Employment and Training Act (CETA). CETA continued youth and adult training. It also added a new approach, job creation in the public sector. CETA training programs were not different in kind from MDTA, being a mix of the four training forms. CETA youth programs provided mainly job experience, literacy classes, and prevocational training. The adult programs focused on direct job placement and training that could be done in a year or less (clerical skills, business machine repair, welding, nursing).

Public sector job creation had been undertaken on a small scale in the 1960s, but it was under CETA that this approach, called Public Service Employment (PSE), reached an employment level unprecedented since the Works Progress Administration (WPA) during the Depression. In 1978, 752,000 workers were employed under PSE, in positions as basic as clerical and laborer jobs in local government and as artsy (and questionable) as musicians in CETA orchestras or actors in CETA drama groups.

From the start, PSE was heavily criticized (the jobs were make-work, the critics said; they should not be supported by taxpayer money; they displaced other public employees), and with the change of national administration in 1981, PSE was eliminated that September. Since 1981, there has been no sizable program of public sector job creation.

Over the past two decades, the job training system has been reconstituted twice: in 1983, when CETA was replaced by the Job Training Partnership Act (JTPA), and in 1998, when JTPA was replaced by WIA. Each time, though, the forms of training and even the training agencies—the community-based organizations, community colleges, and proprietary schools—continued largely unchanged.

Yet while the forms of training today would be recognizable to an MDTA official 30 years ago, the training process has been refined over the years to the point that it makes the MDTA models look clunky in comparison. The MDTA classroom training was often so long, at 40 weeks or more, that participants dropped out to pursue paid employment. The community colleges that conducted the training had weak ties to employers. The training officials rarely tracked participants to determine job outcomes.

In contrast, most training programs today contain no more than three to four months of classroom training, sometimes with additional on-the-job training, and always with placement assistance. Training participants are tracked upon completing their training, and training providers publicize their placement rates. Most training providers know their industry sector, whether it be health care or information technology or banking, and know the employers.

PART 2: ELEMENTS OF EFFECTIVE JOB TRAINING PROGRAMS

What makes an effective job training program?

Several researchers over the past decade have compiled lists of the elements of effective job training,³ but few, if any, possess the long-range experience and perspective that Bob Marr, my former colleague at EDD, did. Until the change in administration last year and his subsequent death this year, Bob had been at EDD since 1964. Over that 40-

Bob Marr's Seven Elements of Effective Job Training Programs

1. **There is no one right form of training.** Effective programs employ various mixes of the traditional training forms—classroom training, on-the-job training, and direct job-placement assistance—depending on the skills sought by their clients, the local employers.
2. **Effective programs keep close tabs** on local labor markets and regularly adjust training to reflect hiring in the region.
3. **In structuring training, effective programs utilize a training curriculum** that is developed in close contact with employers in a specific industry sector (hospitality, health care, financial services) and that reflects the skills these employers seek. The most effective training-program developers know their industry sectors from top to bottom.
4. **Effective programs don't try to train everyone.** They screen applicants, using an assessment process that ensures training participants possess the literacy skills for training and the motivation to be in this industry sector.
5. **Effective programs use a case management process** that is not heavy with staff, but that tracks participants during training and for a two-year period following training.
6. **Effective programs identify job openings or potential job openings** before training. The preferred scenario: an employer has job openings and commits to hiring participants who complete training. Alternatively, the training agency is able to identify likely job openings among a number of employers.
7. **Effective programs foster a strong sense of mission** among training staff. This is the intangible element of effective job training programs but perhaps the most important, as it leads staff to invest extraordinary efforts in job placement success.

year period, he was involved in every job training program in California from MDTA to WIA. He joined me in compiling seven elements of effective training, which the box on the facing page summarizes.

Elements 4, 5, and 6 are straightforward, but for elements 1, 2, 3, and 7, let me add a few details.

Flexibility. The better programs are flexible and adapt to changing employer needs. Job training projects today use three main training forms—classroom training, on-the-job training, and direct job-placement assistance—in a variety of permutations (adult work experience, the fourth form, is rarely used). Classroom training can include vocational classes as well as literacy training and English as a second language; it also encompasses placement services. Projects mix classroom and on-the-job training.

Sector expertise. Effective training programs take the time to understand an industry sector in detail and develop credibility among sector employers. Among the better training programs we funded that have strong sector ties: the Bay Area Video Coalition, which maintains close contact with the region's Internet and Web-design employers; the Children's Collective of San Bernardino and Riverside counties; the Los Angeles City College health care partnership; and the Los Angeles Harbor College security sector partnership.

Industry associations traditionally are not very active in the job training world. However, these groups know the most about their industry sectors, and we went out of our way to seek their participation. In July 2002, the governor's office allocated several million dollars in discretionary WIA funds to an industry association, the California Association of Health Facilities (CAHF), to train 2,000 new certified nursing assistants. This turned out to be one of the better training programs in the state, placing over 90 percent of participants in jobs. CAHF knew what its employer members wanted in training—a mix of classroom and on-the-job training. The nursing home employers actually hired and paid the trainees from the first day of training.

Ties to employers. In 2003, we funded a project in San Mateo County to train 18 workers who had just been laid off at San Francisco International Airport—primarily airline screeners—to be biotechni-

cians at Genentech. The four-month training was done through Skyline Community College in San Bruno and was followed by an eight-week paid internship at Genentech—paid for half by Genentech and half by job training funds. Genentech committed to hire everyone who completed the training and internship. This is the preferred situation: having an employer commit to hiring.

However, linking training to a specific job opening is difficult, since employers rarely know when they will have job openings or will have enough openings at one time, or can wait until training is completed to fill an opening. The next best thing is to identify a number of employers who, among them, are likely to have sufficient job openings when training is completed. In 2003, the Sacramento Employment and Training Agency, the local WIB, funded a hotel employer consortium to train 42 unemployed workers. Six hotels in Sacramento, including the Doubletree, the Embassy Suites, and the Sheraton, made up the employer consortium. Though individually the hotels were leery of committing to hiring workers, combined they were able to generate enough job openings at the front desk and in food services, housekeeping, and sales to make such a commitment.⁴

Sense of mission. The sense of mission cannot be overemphasized. One of the best programs EDD has funded since 2000 has been the Positive Resource Center in San Francisco. Positive Resource does not do training but rather does direct job placement for persons with HIV/AIDS, many of whom are receiving Supplemental Security Insurance (SSI). The placement rates are high, and program participants report high levels of satisfaction. Positive Resource is not doing anything technically different from other training programs. But the staff members deeply believe in its mission and spend extra time to ensure placements. In turn, the job seekers reflect this energy in their job-search efforts.

After we distributed Bob Marr's list at EDD and among other training agencies, Bob asked, "Shouldn't we include some reference to the role of an entrepreneurial executive director? Effective training organizations often reflect the entrepreneurialism and passion of the executive director." Good point. Over the past two decades, all of us in the field have seen training organizations collapse once a program founder or program entrepreneur departs.

While an entrepreneurial leader can create an effective training agency, most training agencies, especially ones with this strong sense of mission, are not dependent on their top leadership. The Positive Resource Center has had three executive directors during the past few years, but its sense of mission has led to continued high performance. Also in San Francisco, Arriba Juntos (“Upward Together”) lost its long-time executive director, Leandro Soto, in the early 1990s and has since gone through several successors, but it has maintained an effective training portfolio.

PART 3: BUILDING AN EFFECTIVE JOB TRAINING SYSTEM

Recognizing the elements of effective job training is one task for local and state employment officials. A second task is building a system out of these effective programs. This maximizes the reach of limited training funds.

We made mistakes at EDD in system building. Initially, we used the traditional request-for-proposal (RFP) process too often in making funding decisions and relied too heavily on written proposals. We funded programs at amounts that were too large. We did not push training organizations hard enough to reduce their costs. Over my five-year tenure, the funding process was tightened as we improved our means of evaluation and reduced the proposed costs per participant.

Here again let me bring in Bob Marr. The box on the next page encapsulates a number of the lessons we learned about system building using state or local funding sources.

Below, let’s take each of these elements individually.

1. Follow the signals of the local labor market. Training is best structured from the ground up, by local training providers responding to signals from local labor markets. State government should not spend a lot of time planning training programs based on employment projections, since the state is not very efficient at getting real-time local employment information. Rather, this real-time information—including that of employers who are now hiring and employers likely to be hiring in the next months—can only come from local employment and train-

Bob Marr's Eight Elements of Building a System of Effective Job Training Programs

1. *Follow the signals* of the local labor market.
2. *Keep amounts small*, and extend the reach of training funds.
3. When soliciting training proposals from local providers, take the budget put forward in a proposal and *reduce it by 30 percent*.
4. In evaluating training proposals, *go beyond the written proposal* to conduct fact-finding in multiple ways.
5. *Don't ignore the resources* and knowledge of the local WIB.
6. *Track the employment* and earnings of training participants for some years after training—but make sure the tracking data are in a form that can be used by practitioners and policymakers.
7. *Don't let WIA undermine the network* of community-based organizations (CBOs).
8. *Ignore the theoretical* job training and employment structures advocated by former labor secretaries Marshall and Reich—as a practitioner, you know more than they do.

ing agencies (including temporary help agencies). These local agencies are best able to relay training opportunities to state government. Whenever possible, the state should solicit their proposals and ideas.

2. Keep amounts small, and extend the reach of training funds.

Among the labor departments of the larger states, training grants of \$1 million or more have been common. Yet there are few economies of scale in job training, and grants of far lesser amounts yield more job placements and test more training approaches. Limiting training grants to under \$500,000—and \$250,000 in most cases—is a good guideline. Otherwise training agencies could start behaving like defense contractors.

It's easy in state government to lose sight of the large amounts of funds being distributed. In May 2003, EDD sent out a request for proposals for job placement of housing project residents. The highest-ranked training group asked for the maximum of \$350,000. When I said we needed to cut this back to \$175,000, an EDD grant officer questioned whether the group still would want to do the training for "only" \$175,000. In the real world, of course, \$175,000 is an enormous amount of money for training.

3. When soliciting training proposals from local providers, take the budget put forward in a proposal and reduce it by 30 percent. In the fall of 2002, EDD sent out a request for projects to train registered nurses and licensed vocational nurses under the Governor's Nurse Workforce Initiative. The maximum grant amount was set at \$3 million. Predictably, most of the applicants asked for \$3 million. After deciding which projects were best, EDD went back and asked each provider to reduce its budget to \$2.1 million. Although funding was cut by nearly a third, the providers, when pushed, were able to achieve over 90 percent of their original training numbers. In other words, with 30 percent less funding, they were able to train almost the same number of participants. Their original proposals had had big cushions built in.

4. In evaluating training proposals, go beyond the written proposal to conduct fact-finding in multiple ways. For years, EDD relied on an evaluation system by which written proposals were received and scored by a panel of staff or outside readers. This approach had the value of keeping politics to a minimum. But also it put too large a premium on proposal writing skills and did not always identify the better programs. Evaluation might start with a written proposal but should emphasize site visits and the program's experience with the local WIB.

5. Don't ignore the resources and knowledge of the local WIB. Of the more than \$600 million in federal WIA funds that comes to California annually, 85 percent is distributed to local WIBs, and the governor has authority over 15 percent. A similar ratio exists for other states. Governor Davis used the 15 percent discretionary funding in two main ways: 1) on major initiatives involving training by faith-based organizations, training for the health care professions, and training and job

placement for veterans; and 2) on a series of projects chosen as effective or innovative through two formal project solicitations.

In the first years, we made the governor's funding decisions largely independently of the local WIBs. This was a mistake, since the governor's limited funds could best be used to help projects get off the ground. If a project was to continue on a long-term basis—if it was to become institutionalized—it needed to win funding from the local WIB. In 2000, we funded the Hollywood Entertainment Museum, which proposed to enroll high school dropouts, help them obtain a general equivalency diploma (GED), and place them into entry-level jobs behind the camera. Rather than see this funding as one- or two-year demonstration money, the museum returned each year, expecting continued funding. Finally we told its people, "Enough. You need to win support from the local WIB."

By 2003, we were beginning to link funding to local WIBs. Our health care workforce initiatives require that training proposals be submitted by the local WIB and carry matching funds provided by the local WIB. For other discretionary projects, the local WIB is becoming part of the review process, and this role has continued under the current governor's administration.

6. Track the employment and earnings of training participants for some years after training—but make sure the tracking data are in a form that can be used by practitioners and policymakers. In the mid-1990s, California State Senator Patrick Johnston, the legislature's longtime expert on job policy, was frustrated by what he considered a lack of accountability in the job training system. He sponsored legislation to establish a performance-based accountability (PBA) system, by which the state government would track participant employment and earnings for a three-year period.

The PBA system is now in place and so far has tracked the employment and earnings of four groups of workers who enrolled in job training between 1995 and 1998—a total of more than 500,000 workers. The tracking has proved relatively easy, using workers' Social Security numbers and EDD's base wage file of earnings. What has proved difficult is presenting the information in a form that is useful to state or local officials and training agencies. Among other things, PBA does not

have the random assignment or control groups that have been used in the better academic studies.⁵

Johnston continues to follow PBA, even though he left state government in 2002. He notes that PBA has produced reports that are hundreds of pages in length and that drill down to the local provider level. However, PBA has not succeeded in converting the information into a format that is helpful to decision makers, or that yields judgments about more effective or less effective programs, or even that yields judgments on the value of training versus other interventions.

7. Don't let WIA undermine the network of community-based organizations (CBOs). Over the past four decades, a network of community-based organizations (CBOs) undertaking job training has grown in most communities throughout the country. Some of these CBOs date back to the 1960s or 1970s; others have emerged in the past few years.

In the first months of WIA implementation, these organizations in California came to EDD to express fears that welfare reform would put them out of business by directing training money to the One-Stop Career Centers. Their fears have proved accurate. Recent studies on WIA show that money available to training agencies (particularly CBOs) has decreased sharply under WIA (Conway and Radermacher 2003; Frank, Rahmanou, and Savner 2003). The training money is being used instead to support the network of One-Stop offices. Nearly all CBOs in California have shrunk over the past four years, and some have disappeared.

As the data on WIA spending (and on the large percentage of funds going to the One-Stops) became evident, we took steps to make sure the network of job-training CBOs in California did not continue to atrophy. We moved to sharply reduce the number of One-Stop centers, which had grown to more than 400 in the state, and to sharply reduce the money going to these centers.

The quality of CBOs is uneven, and perhaps 15–20 percent rely on politics and should not be in operation. But the majority of CBOs bring several values to the job training system. They are entrepreneurial, and they know that their survival depends on successful job placements, in contrast to the community colleges or local school districts, which have a guaranteed source of funds. They often are part of the community or neighborhood fabric and are active in volunteer and civic activities. Further, their pay rates often are modest—well below those

of other educational and social service operators—and they adhere to the precept that nobody should be getting rich by working for antipov-erty programs.

8. Ignore the theoretical job training and employment structures advocated by former labor secretaries Marshall and Reich—as a practitioner, you know more than they do. Among the more prolific writers on job policy are former secretaries of labor Ray Marshall and Robert Reich. Marshall served under President Carter from 1977 to 1981, and Reich served during President Clinton's first term, from 1993 to 1997. They share an advocacy of extensive government structures as the answer to workforce challenges. This is exactly what is not needed, as most practitioners know.

In late 1984, the Carnegie Foundation launched the Carnegie Forum on Education and the Economy, which had the goal of dramatically upgrading the skills of the American workforce. According to the project's backers, the majority of American workers did not have basic math and literacy skills, let alone the more complex skills necessary for competing in a global economy.

In *Thinking for a Living: Education and the Wealth of Nations*, Marshall, a Carnegie trustee, and Marc Tucker, the project's director, give a summary of the project's research findings and make recommendations. The book advocates an elaborate big-government system by which a government Employment Service⁶ would provide a range of services to low-wage workers, including paid job search and paid relocation to new jobs, a new system of technical and professional certification, and special youth centers in every neighborhood that would aim to reduce the movement of young people into and out of low-wage jobs. It also sets out a private sector system by which employers would invest at least 3–5 percent of their payroll total in training their workers (Marshall and Tucker 1992). Similarly, Reich in several of his books advocates a system of new government structures to undertake job training or retraining (Reich 1991, 2000, 2002).

Though none of Marshall's ideas have been put into practice, Reich was influential in establishing the One-Stop system. As noted above, this system, in its first years, has sharply reduced the money going to training; the money instead has gone to fund the One-Stop bureaucracies. The European-style employment structures advocated by both

Marshall and Reich are at odds not only with the political climate but also with the most effective models of worker training and placement.

Neither Marshall nor Reich ever worked on the local level in job training, and this absence shows in their writings. Their ideas on job training are removed from the realities of costs; from the tendencies of bureaucracies, once established, to expand; and from the abilities of nongovernmental CBOs, faith-based groups, and community associations to reach persons that government programs do not.

PART 4: WHAT CAN WE EXPECT OF AN EFFECTIVE JOB TRAINING SYSTEM?

Let's say that we are able to follow Bob Marr's principles and build an effective job training system. What can we expect such a system to achieve in terms of increasing wages or job placement rates?

Numerous studies have been conducted over the past 30 years on the impacts of training programs. In 1994, two prominent labor economists, Harvard's Lawrence Katz, chief economist at the U.S. Department of Labor, and Princeton's Alan Krueger, Katz's successor as chief economist, led a USDOL review of studies on the economic impacts of employment and training programs, and at that time they identified more than 100 serious nonpartisan studies for review. Since their review, there have been at least 100 additional major studies conducted.

The studies of the past 30 years reveal two main dynamics. First, across the economy, job training participants showed modest employment and income gains in comparison with similarly situated workers not participating in training. Second, among individual programs that are effective, the gains can be slightly higher (USDOL 1995).

The first serious large-scale studies of job training were conducted under CETA, using the USDOL-funded Continuous Longitudinal Manpower Survey (CLMS). CLMS tracked training participants for a number of years after their completion of training.

In 1982, the Congressional Budget Office, using CLMS, examined wage information on 3,200 participants then over 24 years of age who had entered CETA training between January 1975 and June 1976 and had stayed for at least seven days. Data on a comparison group of

30,000 workers was obtained from the March 1976 Current Population Survey, and wage comparisons were made at 6, 16, and 36 months after program entrance.

The CBO found that, for women, CETA increased average post-program earnings by \$800–\$1,300 a year. Of this increase, 80 percent was due to an increase in the amount of time worked. Among men, gains were modest: after experiencing an earnings drop in the year before training, male participants returned to their more usual earnings levels after they left the program. The CBO researchers concluded that training programs were short term (averaging 20 weeks in 1980) and relatively inexpensive (\$2,400 per participant) and had some impact on participant gains, primarily because of an increase in the amount of time that participants worked. But this impact was not great enough to move participants very far above the poverty line (CBO and NCEP 1982).

Consultant Laurie Bassi, then an economist at Georgetown University, did an independent examination of the CLMS data using a sample of CETA participants from 1976 and tracking them for two years after training completion. In a 1983 article, “CETA: Did It Work?” she summarizes her findings, which are similar to those of the CBO researchers: the main earnings gains are among adult women and are linked to an increase in time worked (Bassi 1983).

Reviewing the reports of the CBO, of Bassi, and of other CETA training studies, Gary Burtless of the Brookings Institution in 1984 concludes that these programs “have not eliminated, or even substantially reduced, poverty among the working age population, but they have made a modest difference in the lives of many who participated in them.” He adds that “proper training can occasionally turn a welfare mother into a computer technician. (In fact, some welfare mothers will become computer technicians without any government aid.) But there is no magic training course that can guarantee *every* welfare mother self-sufficiency in a well-paid job” (Burtless 1984, p. 22).

For the Job Training Partnership Act, the impact studies became more sophisticated with the use of random assignment. The U.S. Department of Labor sponsored a multisite, multiyear National JTPA Study to assess training impacts. Applicants at 16 local JTPA programs across the nation were randomly assigned to either a participant group (one enrolled in a training program) or a control group (one not enrolled). Two-

thirds of the JTPA applicants were assigned to the participant group and one-third to the control group.

The National JTPA Study gathered information on the participant and control groups enrolled at the 16 JTPA programs from November 1987 through September 1989. Wages were tracked for 20,000 participants over a 30-month period following the random assignment.

The adult JTPA participants averaged wages that were higher than the control groups, but not dramatically so. Male adult JTPA participants earned an average of \$1,599 more than control group members during the 30-month period, and female adult JTPA participants earned an average of \$1,837 more than control group members (Bloom et al. 1997; Orr et al. 1994).

Many practitioners have been surprised by how modest these wage gains were. They see job training participants, nearly always unemployed at the start, going through training in computer repair or nursing or secretarial skills and landing jobs in their training fields. But the study findings in part reflect the ability of low-income workers to find jobs through their own networks. A percentage of unemployed workers are getting jobs every day—including jobs as computer repair persons, secretaries, or certified nurse assistants—without any formal job training program.

To a greater extent, the findings reflect the limited role of job training among the many other factors in employment. David Card notes that the wage gains are small because the interventions (trainings of usually less than five months) are small compared to other educational interventions, such as college. Card notes that estimates indicate one year of high-quality college education raises earnings by 10 percent in later life. As most job training interventions last only one-fourth to one-third of a year, the 2–3 percent earnings gains are to be expected. “At one time, I think analysts were hopeful that returns to job training could be much greater (per year of time invested) than returns to traditional schooling,” Card says, “but I think that was unrealistic.”⁷

There is a second set of studies over the past two decades—this one focusing on individual projects, especially some of the better-performing ones. These studies include a mix of before-and-after comparisons (comparing trainees’ employment before and after training) and head-to-head comparisons (comparing trainees with other low-income adults). While not benefiting from the value of random assignment,

they do provide a closer look on the project level, especially at the better-structured training projects.

These studies show the majority of participants placed in jobs related to their training and at slightly more significant increases in earnings than the systemwide studies. As is consistent with the major CETA and JTPA studies, these studies show the greatest gains in training programs for welfare recipients⁸ (Clark et al. 1995; Elliott et al. 2001; Osterman and Lautsch 1996; St. George 2001; Zambrowski and Gordon 1993).⁹

PART 5: THE RELATION BETWEEN JOB TRAINING AND THE UNEMPLOYMENT RATE

Does job training mainly shuffle unemployment among the poor?

In March 2003, the *Silicon Valley/San Jose Business Journal* carried the headline, "Professor: Worker Retraining is Worthless" (Silicon Valley/San Jose Business Journal 2003). The story referred to a recently published book, *The Job Training Charade*, by Gordon Lafer, an assistant professor at the University of Oregon's Labor Education and Research Center. The book's main argument: the \$8 billion that the government spends each year on job training is almost entirely wasted. Job training does not reduce unemployment, he writes; at best it shuffles unemployment from one group of the poor to another.

The argument, while not new, is one that practitioners continue to be faced with. "To what extent are training efforts a shuffling of the unemployment?" we are asked and ask ourselves.

Lafer's book is really two books. One is a polemic against the current market economy in the United States. It puts forward a number of not-thought-out ideas meant to improve the position of low-wage workers: reducing the power of business lobbies, stopping competition from goods made under illegal conditions in other countries, and capping prescription drug and health care costs. None of these have anything to do with job training.

The second book-within-a-book, though, is a more thoughtful one. It is densely annotated and shows knowledge of the structure of job training programs, from CETA to JTPA and WIA. In this book, Lafer builds on the major longitudinal CETA and JTPA studies, noted earlier

in this chapter, to argue that “in an economy where . . . decently paying jobs are in short supply and skills are a relatively minor determinant of wages, job training programs are asked to perform an impossible task” (Lafer 2002, p. 116). Job training programs do not significantly raise incomes across large groups because they operate in an economy without enough decent-paying jobs.

This is the heart of Lafer’s argument: there are not enough good jobs, and job training programs do not increase the number or quality of jobs. The employment problem is not lack of training, it is lack of jobs. In Lafer’s view, training, at best, means that some low-income workers get jobs rather than others.

In fact, at any given time the number of jobs and the level of wages are influenced by numerous factors outside of job training, including ones identified by Lafer: the rules set for trade and imports, the monetary policy of the Federal Reserve, and decisions about immigration. What Lafer fails to adequately recognize is that one of the factors that influence jobs and wages is the skill and motivation of workers. The number of jobs in the economy is not fixed, independent of worker skill and motivation. Workers, in part, carve out their own jobs or wage levels.

Ironically, no one has expressed this as clearly as George Gilder, whose best-selling book *Wealth and Poverty*, published in 1981, influenced employment policy in the early 1980s. Though Gilder was a critic of most government job training programs and especially of government job creation programs, he recognized the role of worker motivation in creating employment.

In his chapter “The Make-Work Illusion,” Gilder (1981, p. 153) notes that “whenever the American economy approaches recession, there is always a boom in the business of saving or creating jobs.” Politicians call for money to create jobs directly in government, or to subsidize jobs in businesses that are failing, but these are phony jobs: they do not respond to real needs as expressed by the willingness of individuals or local governments to pay for them. Workers create jobs by offering motivation or skills that businesses or governments are willing to pay for. Gilder writes, “A guaranteed job denies the crucial fact that all jobs are to some extent created by the worker; it is only he who can guarantee the job, by the act of supplying labor, undergoing hardship, achiev-

ing distinction, and thus become part of the struggle by which human life improves itself” (p. 158).

This passage may place the employment process in terms overly philosophic (Gilder continues with a passage by the Spanish humanist philosopher José Ortega y Gasset to the effect that “all life is the struggle, the effort to be itself”), but Gilder does capture the role of the will and the efforts of the worker in job creation.

Just as the nation’s economy does not have a fixed number of jobs at any time, so too an employer usually does not have a fixed number. In most hiring cases the employer will identify a job opening and solicit applicants. However, in some cases the employer can be influenced to carve out a position by the skills or desire to work that a worker brings to the workplace. In the movie *Kramer vs. Kramer*, the newly unemployed advertising executive played by Dustin Hoffman goes to a Christmas Eve party and, on the spot, persuades an employer to give him a job. Though this is the exception, it is not uncommon that, in the absence of an identified opening, an advertising executive or account manager or administrative assistant convinces an employer that he or she will add value to the business. The job training system increases the ability of workers to carve out jobs—in part through increased skills, in part through a greater knowledge of job openings, and in good part through the motivational training and emphasis on customer service that is part of any well-run job training program.

Lafer would have been more accurate if he had given some credit to the role of job training as one of several factors influencing total employment. But it is true that while training’s impact is not negligible on job creation, it cannot ensure low unemployment. Further, the job training system, even when well structured, is limited in its impact on certain target groups of interest today to practitioners—principally, the low-wage workforce, former welfare recipients who have been placed in jobs but are still collecting welfare, and workers with disabilities.

In the next few chapters, we examine what practitioners can do beyond the job training system to address these groups.

Notes

1. Some other MDTA examples from San Francisco: in July 1965, 116 students enrolled in a 52-week course for medical secretaries; in early 1967, 16 students enrolled in a 55-week course in business machine repair; in September 1971, 15 students enrolled in a 52-week course for licensed vocational nurse training (Bernick 1984a).
2. Although CEP targeted money at center-city areas, the training approaches were similar to MDTA—CEP programs in San Francisco included a 42-week training for draftsmen, sponsored by the Engineering Societies Committee for Manpower Training (ESCMT), through which around 20 participants a year were hired as draftsman-trainees. Half of their salary was paid by the employer and half by CEP (Bernick 1984a).
3. The National Governors Association in 1997 assembled 10 principles of effective workforce programs; the Department of Labor has put out lists of “what works”; the Levi Strauss Foundation and the San Francisco Foundation have funded studies of criteria for training success. See National Governors Association (1997), Klein-Collins (2003), and Hoachlander and Stoddard (1987).
4. Bob Marr and Julie McLeod, EDD report, “Sacramento Hotel Career Ladder Program,” July 25, 2003.
5. California Workforce Investment Board, “What Is the Performance Based Accountability System?” California WIB Agenda Packet, pp. 58–59, meeting, Sheraton Grand Hotel, Sacramento, May 30, 2002. http://www.calwia.org/doc_files/53002SB.pdf (accessed August 8, 2005).
6. Each state has an Employment Service; in California we refer to it as the Job Service Division of EDD.
7. David Card, e-mail to the author, July 10, 2003. These major studies can minimize training impacts, especially the impacts of effective training programs. John Colborn, deputy director of economic development at the Ford Foundation, notes that the National JTPA Study fails to take into account other employment assistance (community college, adult education) received by the control groups who do not receive JTPA services—a point acknowledged by the study’s authors. Further, in averaging earnings gains among many different programs and participants, the overall findings mask the variety of outcomes among training projects, approaches, and participants.
8. In the USDOL (1995) study *What’s Working (and What’s Not)*, economists Katz and Krueger emphasize the positive wage gains shown in most adult training programs and note that the greatest repeated success of training occurs with female welfare recipients.
9. A summary of these studies and others is compiled by Smith et al. (2002).

5

Principle Three: The Working Poor

A Big Part of the Conventional Wisdom on the Working Poor Being in Dead End Jobs is False—but Not All

I've stopped counting how many times I've heard politicians, writers, and academics, critical of the free-market economy, claim the following about the working poor:

"There are many dead-end jobs in today's economy, particularly in the emerging service economy. These are the jobs not only in fast-food restaurants, but also in nursing homes, hotels, retail stores, and cleaning companies. Workers in these jobs are the long-term working poor, who are locked into a life on the economic margins."

In fact, as recent longitudinal wage studies (and other recent wage studies) demonstrate, there is considerable mobility among the low-wage workforce, as I will show. There are many workers who start in jobs in nursing homes, hotels, retail stores, and even fast-food restaurants and advance within their companies or within their industries. Others use the skills or job experience they gain in entry-level jobs to advance by changing industries.

This chapter is divided into two parts. Part 1 discusses recent research by EDD on wage mobility in the California workforce, and also discusses related research conducted nationwide. Further, we examine some of the recent literature on the low-wage workforce, particularly Barbara Ehrenreich's popular *Nickel and Dimed*, and why this literature is misleading about wage mobility. Part 2 looks more closely at the low-wage workforces of three key industrial sectors: nursing homes, child care, and agriculture. We find little investment in worker skills, high workforce turnover and instability, and industry economics that discourage individual employers from making investments in their low-wage workforce.

PART 1: WAGE AND JOB MOBILITY

In 2000, EDD joined with economist Michael Dardia, a research fellow at the Public Policy Institute of California, to launch a series of studies on wage mobility in California. The first major study involved tracking the wage progress of 133,000 California workers from 1988 to 2000. Using EDD's wage files, Dardia and EDD researchers were able to track wages at four-year intervals of 1992, 1996, and 2000.

Although median annual earnings for workers at all income levels rose during this period, the greatest percentage gains were among the lowest-paid workers. Among workers in the lowest 20 percent of earners in 1988, median annual earnings more than doubled during the 12 years. Further, more than half of the workers in the lowest 20 percent of earners in 1988 advanced to a higher earnings quintile by 2000 (Dardia et al. 2002).

Table 5.1 shows both absolute and relative measures of mobility by quintile from 1988 to 2000. "Absolute mobility" measures the mobility of the sample of California workers compared to the entire California workforce. Mobility by this measure is very high, especially for the workers in the bottom quintile. Eighty percent of these workers were able to transition to a higher earnings quintile by 2000.

"Relative mobility" measures the shift in the relative earnings position among the same group of workers over time. Relative mobility adjusts for the natural tendency of earnings to increase because of age, experience, or economic growth. By this measure, mobility is still high: 54 percent of workers in the bottom quintile in 1988 had moved to a higher quintile by 2000.

As Dardia et al. (2002) note, there are two caveats to this mobility. First, the study was not able to control for age (a subsequent study is planned to do so), and the bottom quintile contains workers who are under 18, students, or part-time workers—each of whose wages generally increase over time. Further, there was not a lot of movement from the bottom quintile to the top two quintiles. Most of the movement from the bottom quintile was to the next two quintiles.

The EDD study contains detailed analysis of mobility patterns across industries. Table 5.2 shows the distribution of workers by industry and by 1988 earnings. It indicates that two industries—agriculture

Table 5.1 Absolute and Relative Mobility for a Sample of California Workers, 1988–2000 (%)

Earnings position in 1988	Earnings position in 2000					
	Same quintile		Moved up		Moved down	
	In relation to all workers ("absolute")	Within sample ("relative")	In relation to all workers ("absolute")	Within sample ("relative")	In relation to all workers ("absolute")	Within sample ("relative")
Top quintile	78	58	—	—	22	42
Fourth quintile	37	36	42	21	21	44
Middle quintile	31	31	53	29	16	40
Second quintile	25	34	62	36	10	29
Bottom quintile	20	46	80	54	—	—

NOTE: Cross-sectional samples are based on those individuals working all four quarters of each year. — = data not available.

SOURCE: Dardia et al. (2002, p. 7). Data from UI base wage and BEL files, California Employment Development Department.

and retail trade—have a disproportionately high share of workers in the bottom quintile. The business services sector, including temporary help agencies, also has a high share of these lowest-quintile workers (Dardia et al. 2002, p. 8). The study further found that over the 12-year period there is a great deal of movement among industries, as shown in Figure 5.1. Nearly 70 percent of business services workers and nearly 60 percent of wholesale trade workers were employed in a different industry in 2000 than they had been in 1988 (p. 8). And Table 5.3 shows that, as might be expected, earnings growth is highest for those leaving the lowest-paying industries (retail trade and agriculture). “The percentage increase in median earnings was much greater for workers who started out in the bottom half of the distribution than for those in the top half,” report Dardia and his colleagues (p. 9).

The EDD studies are consistent with other recent studies of wage and job mobility in the United States. The majority of these studies fo-

Table 5.2 Earnings Distribution of California Workers in Each Industry, by Quintile, in 1988

Industry	1988 earnings distribution (%)				
	Bottom quintile	Second quintile	Middle quintile	Fourth quintile	Top quintile
Agriculture	46	29	13	7	6
Construction	14	19	20	23	25
Nondurable mfg.	17	22	23	22	17
Durable mfg.	9	18	22	25	26
Transportation and util's	8	12	20	31	28
Wholesale trade	16	23	23	20	19
Retail trade	42	23	15	13	7
Business services	28	23	19	14	17
Health services	18	26	22	18	16
Education services	21	15	19	23	22
Other services	25	21	19	16	18
Other industries	10	19	22	21	29

SOURCE: Dardia et al. (2002, p. 8). Data from UI base wage and BEL files, California Employment Development Department.

Figure 5.1 Share of 1988 Workers Who Left Their Initial Industry by 2000

SOURCE: Dardia et al. (2002, p. 8).

cus on relative mobility. Reviewing these studies, Daniel P. McMurrer and Isabel V. Sawhill (1996a) estimate that about 45 percent of workers change places over a five-year period and about 60 percent change over both nine- and seventeen-year periods.¹

McMurrer and Sawhill (1996a, p. 2) note that “studies of relative mobility have produced remarkably consistent results, with regard to both the degree of mobility and extent of changes in mobility over time.” Though mobility has not increased over the past three decades, neither has it decreased, and while income inequality grew between 1973 and the late 1990s (as widely noted), the movement of workers between income groups continued at a substantial level.

Recent Popular Literature on the Working Poor

The picture of mobility that emerges from wage studies is considerably different from that drawn in recent books on the working poor. As mentioned in Chapter 2, the past few years have seen the publication of several books by writers and journalists examining the low-wage world: Barbara Ehrenreich’s *Nickel and Dimed*, Ben Cheever’s *Sell-*

Table 5.3 Real Earnings Growth for Industry-Stayers and Industry-Leavers, 1988–2000

Industry	Workers in the same industry in 1988 and 2000		Workers who changed industry from 1988 to 2000	
	Median earnings in 1988 (2000 \$)	Median change by 2000 (%)	Median earnings in 1988 (2000 \$)	Median change by 2000 (%)
Agriculture	22,161	5	19,015	46
Construction	47,972	11	33,487	20
Nondurable mfg.	40,599	9	32,920	14
Durable mfg.	47,620	15	38,983	12
Transport & util's	51,488	13	40,038	16
Wholesale trade	43,413	14	32,053	25
Retail trade	29,309	10	18,368	83
Business services	37,503	27	28,311	40
Health services	36,163	14	27,572	29
Education services	42,401	22	27,462	44
Other services	37,990	19	28,152	46
Other industries	47,131	22	33,954	15

SOURCE: Dardia et al. (2002, p. 9).

ing Ben Cheever, Iain Levison's *A Working Stiff's Manifesto*, and Don Snyder's *The Cliff Walk*.

Each of these books offers insights into the world of low-wage service jobs. They stand in contrast to an earlier era: In the 1960s and 1970s, the “underclass” was at the top of policymakers’ agenda, and several books emerged by middle-class writers journeying into this world, including *Tally’s Corner* by Elliott Liebow (1967) and *The Underclass* by Ken Auletta (1982).² The past decade has seen the “working poor” become a top issue, and middle-class writers have likewise journeyed into the world of the low-wage workforce. However, because they chronicle relatively short time frames, the books miss truths about how low-wage workers advance.

Nickel and Dimed

In *Nickel and Dimed: On (Not) Getting By in America*, Ehrenreich (2001) takes a series of low-wage service jobs over a year's period—as a waitress in Florida, a housecleaner and nursing home aide in Maine, and a Wal-Mart employee in Minnesota. She takes these jobs without indicating her education and background on her job applications and lives only on the wages she earns, which means she has to stay in cheap motels and apartments. Ehrenreich is a talented journalist and observer, and she captures certain characteristics of service-sector jobs: the difficult physical labor of the cleaning and nursing home jobs, the petty humiliations and the psychological and drug tests that must be submitted to by a Wal-Mart retail clerk, and the little indignities of waitressing.

Yet as Christine Curran (2002) points out in a review of the book, Ehrenreich stays at jobs no more than four months. She does not invest any real interest or training in her job. Nor does she approach her job with any attempt at providing quality or craftsmanship.

And these are the ways workers move up in organizations—even retail clerks, nursing home personnel, and room attendants. They show an enthusiasm for the job. They identify with the goal of the company and with the quality of service. Most of all, they stay in a job or in a company for a period of years. No worker advances if she moves around every four months.

Ehrenreich gives us glimpses of her co-workers (the other nursing assistants, room cleaners, and waitresses), but only glimpses—of conversations, family backgrounds, current living situations. She does not try to understand in any detail or depth their work histories or why they might or might not be advancing.

Selling Ben Cheever

Similarly, Ben Cheever (2001) sets out in 1995 to write about work in the service sector, and over a period of five years takes jobs as a Burns security guard, a telemarketer, a salesman at CompUSA, a salesman at Nobody Beats the Wiz, a sandwich maker at Cosi Sandwich Bar, and (most memorably) as a car salesman at Wegman Auto. His descriptions of these jobs are finely written and rich with humor—and the book deserves far more attention than it has received among employment

professionals and the general public (it was overshadowed at publication by *Nickel and Dimed*).

However, the book has the same limitation as *Nickel and Dimed* in understanding mobility. Cheever stays in these jobs for only a matter of months, and many of his interactions are with fellow workers who are new to their jobs. We are introduced to several former white-collar workers who have been fired or downsized recently from higher-status and higher-paying jobs—a former IBM manager who is working at the car lot on commission, a certified public accountant who is working at the computer store, a Burns security guard who tells Cheever he'd been a phone-company executive. To Cheever, these workers are evidence that the growing service sector is creating a class of workers stuck with low wages (the book's subtitle is *Back to Square One in a Service Economy*).³ However, these workers have not been in their jobs for multiple years, and based on the research on displaced workers there is reason to think that they will not be stuck. Even within the service sector there is a wide range of wages and incomes.

The Cliff Walk

The Cliff Walk: A Job Lost and a Life Found (1997) is Don Snyder's description of how he loses his job as a college English professor, remains unemployed for a lengthy period of time, and is reduced to supporting his family through Food Stamps and handouts. He then slowly gets his life back together, first by taking a job as a golf course maintenance man (\$8 an hour), then as a carpenter (\$15), and finally as a handyman. As the book ends, he is just getting back to a middle-class lifestyle. The book has many work-related themes, including the employment possible once Snyder sheds his sense of entitlement as a college professor.

A Working Stiff's Manifesto

The fourth book of this set, Iain Levison's *A Working Stiff's Manifesto* (2002), is the one book of this group written by someone who is truly a member of the nonprofessional service sector, with no clear avenue out. Levison (who acknowledges that "in the last ten years, I've had forty-two jobs in six states") describes a succession of jobs: working in a crab-processing plant in Alaska, moving furniture in North Carolina,

and delivering heating oil in Pennsylvania. Levison, like Ehrenreich, has an eye for the physical and psychological harshness of these jobs (made worse by how badly the affluent clients and bosses behave toward employees), but at several points the reader wants to suggest that he stop moving around so much and carve out a career in one field.

PART 2: IMPORTANT LOW-WAGE WORKFORCES AND THE LIMITED WAGE/SKILL ADVANCEMENT WITHIN THESE WORKFORCES

As Part 1 showed, there is greater mobility from low-wage jobs in America than is often portrayed. At the same time, low-wage workers in certain major industries, including long-term nursing care, child care, and agriculture, are not advancing in numbers within their industry, and worker turnover is high among these workforces.

Governor Davis in 1999 asked EDD to examine these three workforces. At the time, employers in these industries were telling the governor that they could not find qualified workers. But this inability turned out to be linked strongly to the low wages of the jobs, combined with low investment in skills upgrading and few opportunities for advancement.

1. Nursing home and long-term care. The nursing home or long-term-care workforce was the first examined, in response to the clamor made by nursing home employers to the governor in 1999 that they were unable to find certified nursing assistants, the key direct-care workers. In the early twenty-first century, health care is the sector of the California economy with the greatest demand for workers. In January 1999, there were 904,800 payroll employees in health care in California, and by July 2002 this number had grown to 973,900, according to EDD's employment-by-industry statistics.

Long-term care is a major subsector of the health care workforce; it had an estimated 140,000 employees in California in 2000. Within long-term care, by far the largest category of workers is the direct-care certified nursing assistant (CNA). In 2000, 102,000 California workers had active nursing assistant certifications, and 72,000 of these were

working as CNAs. Approximately 49,000 of the CNAs worked in long-term care settings; the remainder were primarily in acute care settings (Franks et al. 2002; Ong et al. 2002).

In 2000, EDD contracted with the University of California, Los Angeles (UCLA), School of Public Policy and Social Research to conduct the most in-depth analysis of the CNA workforce in California that has been done. Over the next 18 months, the UCLA researchers, headed by Paul Ong and Ruth Matthias, gathered information not only on the size and demographics of the workforce, but also on pay levels, mobility, and workplace stability. Their report, “California Caregivers: Final Labor Market Analysis” (Ong et al. 2002), paints a picture of a workforce that is low paid, with little movement to higher-paid positions, and is highly transient and unstable.

On average, CNAs in California in 2000 received an hourly wage of \$9. Wages were as high as \$13 an hour in the unionized urban San Francisco Bay Area facilities but as low as \$7 an hour in the nonunion suburban and rural facilities. Many CNAs lived on the economic margins, and about a quarter of CNAs received welfare at some point between 1995 and 2000.⁴ Over time, CNAs who stayed in nursing home care achieved very minor wage gains, and few CNAs advanced to the higher job categories of licensed vocational nurse (LVN) or registered nurse (RN). The wage premium increases for CNA experience averaged less than 1 percent a year—very low relative to other job categories. Only 5–12 percent of CNAs went on to become LVNs (Ong et al. 2002).

Figure 5.2 shows what percentage of CNAs working in California at the start of 1998 remained in their jobs through 2000. During these three years, 52 percent of CNAs working in the caregiver industry left their firm, and over 70 percent of other CNAs left their firm. As shown in Figure 5.3, 70 percent of CNAs certified in 1995 had let their CNA certification lapse by 2001.

2. Child care. The high turnover of the nursing care field is mirrored in child care. The average child care worker with a college degree earned around \$20,000 a year in 1999, whereas one without a college degree earned around \$16,000 a year. Staff turnover rates have run 30–40 percent a year in California, and studies have found that over three- and four-year periods the majority of child care workers leave the field (Caspary 2002). One recent study conducted among 75 centers

Figure 5.2 Certified Nurse Assistant Employee Retention Rates

SOURCE: Ong et al. (2002), p. 49.

Figure 5.3 Certified Nurse Assistant Licensing Survival Rate (1995–2001)

NOTE: The survival rate equals the percentage of CNAs issued a license in a given year that still had a license in 2001.

SOURCE: Ong et al. (2002), p. 50.

in northern California found that 76 percent of all of the staff members who worked at these centers in 1996 no longer worked there in 2000, and that approximately half of these teachers and directors had left the child care field (Whitebook et al. 2001).⁵

3. Agriculture. Agriculture is a major employer in California. Some 800,000–900,000 people work for wages on California farms at some time during a typical year, and about half of these, 400,000, work year-round. According to University of California, Davis, labor economist Phil Martin and his UC Davis colleague Ed Taylor, most farmworkers in California are seasonally employed on one farm for less than six months each year and earn a quarter of the average factory worker's annual salary. Farmworkers' average hourly earnings are \$6–\$8 (versus \$12–\$14 for manufacturing workers). Farmworkers average around 1,000 hours of work a year—about half as many as manufacturing workers (Martin and Taylor 2000).⁶

Moreover, farmworkers show the least wage and job mobility of any industry in California. In the EDD wage mobility study (Table 5.2), in 1988 the largest percentage of agricultural workers were mired in the bottom quintile of earnings (46 percent). Over the next 12 years, the wage gains for workers who remained in agriculture were by far the smallest (5 percent) of any industry (Table 5.3). Only those who left agriculture during the 12 years—more than 40 percent, as shown in Figure 5.1—earned significantly higher wages, posting gains of 46 percent.⁷

Increasing mobility as a goal

Increasing mobility among these three low-wage workforces—long-term nursing care, child care, and agriculture—as well as among low-wage workforces in hospitality and allied health care, became a Davis administration priority early on in 1999—just as increasing mobility for low-wage workforces was becoming a priority of practitioners nationwide. The lessons of our experiences, and of experiences in other states, are contained in the next two chapters.

Notes

1. See also McMurrer and Sawhill (1996b), a companion piece that goes into greater detail on some of the studies.
2. “The underclass” was defined in Chapter 2 as a class of poor people not trying to advance through work but instead mired in antisocial behaviors.
3. Cheever sets out to show the lack of job security, as well as the low wages, characteristic of a good part of the service economy of the mid-1990s. Much of what he writes about, though, is the artistry in these jobs. “When you want to become a car salesman, does that mean you’ve hit the bottom of the barrel?” a fellow car salesman–trainee asks him, to which Cheever replies, “No, it depends on what kind of salesman you turn out to be,” then goes on to describe the quality of work he finds among some other car salesmen, as well as among the low-paid sales staff at CompUSA and even at Nobody Beats the Wiz. A fellow salesman at the Wiz goes out of his way to sell customers only what they need, even giving up commissions.
4. CNAs in California are overwhelmingly female (over 88 percent). Only 13.3 percent of CNAs had less than a high school degree, while nearly 20 percent had an associate’s or a bachelor’s degree. In a survey of 30,000 CNAs, 51 percent listed English as a primary language, 22 percent listed Spanish, and 17 percent listed Tagalog (spoken in the Philippines), indicating the industry’s reliance on an immigrant population.
5. See also Whitebook and Eichberg (2002). For a more detailed look at the problem of high turnover in the child care field, see Whitebook and Sakai’s (2004) *By a Thread: How Child Care Centers Hold On to Teachers, How Teachers Build Lasting Careers*.
6. Martin and Taylor (2000) further note that California farmworkers averaged 23 weeks of farmwork a year in the mid-1990s, three weeks of nonfarmwork, and 26 weeks without farmwork. “In most cases,” they say, “time not working is spent outside the United States.”
7. Among other industries, workers in business services who remained in their field showed median wage gains of 27 percent; those in education services, 22 percent; and those in durable manufacturing, 15 percent.

6

Principle Four: Building Career Ladders for the Working Poor

Designing Effective Career Ladders Requires Single- and Multiemployer Skills Upgrading

Increasingly, practitioners both in government and in private foundations are experimenting with career ladder projects as a means of improving the wages and mobility of low-paid workers. This human capital strategy envisions low-wage workers—in nursing homes, hotels, back-office banking, even in farmwork—improving their skills through targeted training and advancing in pay.

Can targeted skills upgrading lead to wage increases or better jobs for low-wage workers? Operationally, how is skills upgrading best structured: what are the roles for the public and private sectors, and how can costs be allocated among private employers (or multiemployer organizations), unions, and the government? Further, is there a way to make career ladders sustainable, so that training is not dependent on discretionary government funds?

The next two chapters discuss the design and operation of career ladder projects. This chapter identifies forms of career ladders that have yielded skill and wage gains, and the elements that make them effective. The next chapter sets out how practitioners might achieve a sustainable system of skills upgrading for low-wage workforces.

CAREER LADDERS SPAN SECTORS AND TAKE SEVERAL FORMS

Career ladder projects have not been limited to one sector but have spanned such sectors as health care, hospitality, banking, and even agriculture. In California, the state government, through a “Career Lad-

ders for the 21st Century” initiative, funded more than 30 career ladder projects between 2000 and 2003. As the following box indicates, these projects constructed ladders in a number of different sectors.

“Career Ladders for the 21st Century” Projects

Kaiser Permanente (medical assistants)

Training for laundry workers, janitors, and other low-wage workers to become medical assistants or unit assistants (2001).

California Bankers Association (back-office financial)

Training for a mix of back-office data entry workers in banks (2001).

Rands Systems (machinists)

Training for machinists in small machine firms (2001).

Rim Hospitality (hotel workers)

Training for low-wage hotel workers, conducted at several properties of Rim Corporation (2001).

Techniform Metal Curving (metal-forming workers)

Training for metal-forming workers drawn from multiple employers (2002).

Life Care Centers (nursing home workers)

Training of certified nursing assistants at a nursing home chain (2002).

Fairmont San Jose (hotel workers)

Training of low-wage hotel workers at a major hotel (2002).

Beach House Inn (restaurant workers)

Training of restaurant workers at a restaurant chain (2002).

Santa Monica College (health care workers)

Training of certified nursing assistants at several nursing homes (2002).

SOURCE: Unpublished material, Employment Development Department.

Career Ladders Take Not One Form but Five

As well as spanning industry sectors, career ladder projects in California and elsewhere have taken not one form but several. These have arisen out of the different structures of job ladders or lattices among industries, the different opportunities for cross-training and horizontal mobility, and the different roles of unions and industry associations. The following list summarizes the five main forms of career ladders:

1. *A career ladder developed and operated by a large firm that results in new skills and wage gains for the firm's low-wage workers.* Example: Kaiser Permanente's career ladder for its laundry workers and other low-wage earners, training them to become medical assistants and placing them in that position upon completion of training.
2. *A career ladder by a multiemployer organization (industry association, labor union, for-profit or nonprofit training firm) that results in new skills and wage gains for the low-wage workers of several firms.* Example: the Hotel Employees Restaurant Employees (HERE) unions' training of low-wage workers across several hotels for upgrades.
3. *A career ladder by a multiemployer organization that creates new paraprofessional job categories of higher pay and skill level and trains low-wage workers for these positions.* This approach most directly alters the structure of jobs in the industry, not merely the skills of workers. Example: the California Association of Health Facilities' creation of new paraprofessional jobs of higher pay and responsibility for CNAs.
4. *A career ladder by a multiemployer organization that prepares low-wage workers for job openings that may arise in the next year or two.* Wage increases do not result immediately upon completion of training, since firms cannot guarantee job openings or placements at the training's completion. Examples: the California Bankers Association's training of data entry workers for higher-level jobs in banks, and the California Restaurant Association's training of low-wage restaurant workers for supervisory jobs.

5. *A career ladder by a multiemployer organization that cross-trains workers to achieve “horizontal mobility”—higher income derived not necessarily through higher wages but through extended work hours or work shifts.* Examples: the HERE unions’ cross-training to enable low-wage hotel workers to gain additional hours, and UFW’s cross-training of farmworkers to increase the number of crops that they can work.

In identifying elements of effective career ladders, we can distinguish broadly between 1) single-employer career ladders, in which a major employer joins with government in a training program to upgrade the skills of its low-wage workforce, and 2) the more challenging multi-employer career ladders. In the latter, an industry association or a labor union brings together several employers for skills upgrading of their employees. It often attempts to involve midsized and small employers and to establish skills upgrading for low-wage workers as an industry-wide practice.

PART 1: SINGLE-EMPLOYER CAREER LADDERS

The single major employer with a need for trained workers at multiple skill levels is a promising venue for career ladders. In recent career ladder projects with single large employers, workers have obtained new skills and have achieved both job advances and wage gains, albeit on a modest scale. Further, in these projects the employer has been willing to absorb training costs—in some cases up to 50 percent of direct costs. Illustrations of wage gains and employer participation can be drawn from career ladders at Kaiser Hospitals in the health care sector and from Fairmont Hotels and Resorts and Rim Hospitality in the hospitality sector.

These examples also show the variations within this career ladder form. At Kaiser, all career ladder participants take the same training course, targeted at specific job categories, whereas at Fairmont and Rim, the training has been individualized, so that participants choose from a mix of classes. At Kaiser, mobility has meant vertical mobility, in which the worker accrues additional skills to advance to a job of

higher pay, while at the hotels, mobility has meant a horizontal mobility, where a worker's additional skills serve to expand hours worked or duties assumed.

In 2000, California's health care giant, the 84,000-worker Kaiser Permanente, participated in one of the first career ladder projects, involving a mix of public and private funds. The project was a joint venture of Kaiser and the union representing Kaiser's lower-wage workers, Service Employees International Union (SEIU) Local 250. It set out to train 144 entry-level workers to become medical assistants, acute-care nursing assistants, or unit assistants.

A portion of the employment structure of a Kaiser acute-care hospital is shown in Figure 6.1. The hospital has more than 40 different job categories in six divisions. Workers not only move up within divisions but also move between divisions for more skilled and higher-paying jobs. For example, a food preparation worker might move up in his division to become a cook or food service manager, or he might move to another division to work as a nurse's aide or laundry worker.

Kaiser joined with SEIU Local 250 on a career ladder program for entry-level workers in janitorial and housekeeping (which Kaiser calls "environmental services"), food preparation, laundry, and reception. One hundred forty-four workers were chosen to participate from Kaiser hospitals in Sacramento and the San Francisco Bay Area. All entry-level workers in these regions could apply, and participants were chosen based on seniority and the ability to complete the training, according to information compiled by Kaiser on the project.

The participants were trained to fill one of three paraprofessional care jobs at Kaiser: unit assistant, medical assistant, or acute care nursing assistant. For all three jobs, Kaiser was motivated to upgrade its own workers, since in the tight labor market of 1999–2000 it found itself unable to find trained unit assistants or medical assistants. To the participants, the jobs represented pay raises and an opportunity to move into patient care.

Compared to similar workers in other settings, the unionized housekeepers, food preparation workers, and laundry workers at Kaiser all earn good wages, from \$12 to \$13 an hour. Still, the patient care jobs represented immediate pay increases. Acute care nursing assistants start at \$13.75 an hour, while starting salaries for medical assistants and unit assistants are \$15.80 an hour. The various Kaiser career ladder pro-

Figure 6.1 Some of the Career Ladder Pathways in the Kaiser Permanente Acute Care Setting

SOURCE: Unpublished diagram from Kaiser Permanente.

grams lasted from 10 weeks for acute care nursing assistant to 13 weeks for medical assistant and unit assistant. Participants attended 40 hours a week, receiving their existing wage levels during training. Participants who completed the program were guaranteed job advancement. Kaiser reported in 2002 that over 92 percent of participants had completed training and moved into their new jobs (Table 6.1).

Kaiser paid 50 percent of the wages of workers attending training; the remaining 50 percent was paid for by government training grants from the U.S. Department of Labor, by the governor's WIA discretionary funds, and by state Employment Training Panel (ETP) funds. The training funds also paid the direct costs of instructors and training materials. The guaranteed job upgrades at the end of the training, combined with the financial commitment of Kaiser, made this project competitive for government funding.

A second example of a single-employer career ladder program comes from the Fairmont San Jose, a high-end, large, unionized hotel. Undertaken in 2002, the Fairmont career ladders focused on lower-skilled workers in several divisions: front desk agents, restaurant servers, doormen, laundry workers, and room attendants. Like the Kaiser career ladders, the Fairmont training was designed in conjunction with a union, in this case the HERE International Union.

As shown in Figure 6.2, major hotels like the Fairmont San Jose are like little cities, containing their own food, cleaning, and maintenance operations. Five or six divisions usually are present; these include housekeeping, food and beverage, front desk, sales, controller, and human resources. (Because of space limitations, here only some are represented.) There are numerous mobility paths up the divisions as well as between divisions. A front desk agent can advance to front desk supervisor in the front desk division, or move to office clerk or accounts receivable clerk in the controller division. A dishwasher might advance to prep cook within the food and beverage division or move to a higher-paying position in housekeeping.

The Fairmont trained 220 frontline workers drawn from its front desk agents, restaurant servers, doormen, laundry workers, and room attendants. The training was tailored to each worker and made up a total of 200 hours. Workers could take classes in three main skill areas: general business skills (i.e., interviewing techniques, identifying opportunities to advance), interpersonal skills and team building, and

Table 6.1 Results of Career Ladders for Lower-Wage Workers Sponsored by Kaiser Permanente and the Shirley Ware Education Center (SEIU Local 250)

Class	Service area/ facilities	Number enrolled	Number graduated	Graduation rate (%)	Trainees' former positions	Dates and location
Acute care nursing assistant (ACNA)	North East Bay: Walnut Creek, Vallejo	21	20	95	Housekeeping aide, appt. clerk, file clerk, record clerk, teleservice rep., medical asst., service partner, medical record analyst, lead service partner, appt. clerk, PBX operator & health care contact specialist	January–March 2001, Contra Costa College
ACNA	Capital Service Area: Sacramento, Roseville, South Sacramento	26	23	88	Emergency dept. clerk, file clerk, appt. clerk, housekeeping aide, pharmacy clerk, teleservice rep.	June–August 2001, American River College
ACNA	Capital Service Area: Sacramento, Roseville	21	21	100	Emergency dept. clerk, file clerk, appt. clerk, housekeeping aide, teleservice rep.	March–May 2002, American River College
ACNA upgrade	East Bay: Oakland, Hayward, Richmond	22	18	81	CNAs from long-term care facilities represented by Local 250	May–July 2001, Contra Costa College

Unit assistant	North East Bay: Walnut Creek, Vallejo	22	20	91	Care partner, medical asst., housekeeper, cashier/ receptionist, file clerk, health care contact specialist, admitting rep., service partner, dietary aide/nutritionist	June–August 2001, Contra Costa College
Medical assistant	South Bay and Golden Gate: Redwood City, South San Francisco	14	13	93	Call center, health information, chart room, pharmacy, telecommunications, psychiatry, radiology	June–August 2001, College of San Mateo
Medical assistant	South Bay	18	18	100	Housekeeper, cashier/ receptionist, health care contact specialist, service partner, clerk, surgery scheduler, birth recorder, storekeeper	July–September 2002, West Valley College
Totals		144	133	92		

SOURCE: Unpublished data from Kaiser Permanente.

Figure 6.2 Part of a Hotel Job Structure, Showing Numerous Mobility Paths and Approximate Salary Ranges

NOTE: Wage numbers represent 25th and 75th percentiles in 2003. Wage ranges reflect differences in employee characteristics and time on the job as well as facilities in different geographic areas and of different sizes.

SOURCE: Unpublished diagram supplied by Bob Marr, California Employment Development Department.

commercial skills. For example, a worker who wanted to move from front desk to banquet server or who wanted to get additional hours as a banquet server might take a class in commercial skills on setting up and breaking down conference and banquet spaces. A laundry worker who wanted to get into food service might take classes in food handling, food allergy awareness, and guest safety and protection.

The Fairmont received just under \$433,000 from the state's Employment Training Panel (ETP) for the project. In return, the Fairmont agreed to pay its workers their normal wages during the hours of training, the cost of which amounted to over \$400,000, the hotel estimated. Though it did not promise specific job promotions, it did guarantee a 5 percent pay increase for workers who completed training and stayed for 90 days. Motivated by the guaranteed pay increase, over 75 percent of participants completed training and stayed for the requisite time (Fairmont San Jose 2002).¹

A second single-employer career ladder program in the hospitality field was sponsored by Rim Hospitality, owner of 22 midsized and nonunion hotel properties (each with 40–80 employees) in California. Rim recruited 78 workers from five of its suburban properties in Santa Rosa, Auburn, and Davis. The workers were drawn from room attendants, dishwashers, and prep cooks in food and beverage; front desk representatives; switchboard operators; and parking attendants. Division managers were asked to nominate employees, and employees were given the opportunity to nominate themselves. All participants had to have been with Rim at least 90 days, though the majority had been with Rim for more than five years.

At the time, Mary Ann Kuhn, Rim's human resources manager, explained the reasons for the company's participation: "We're experiencing a 100 percent annual turnover in jobs like dishwasher and busperson," she said in a 2001 interview. "We hope to create goodwill for Rim as our employees see that the company is investing in them, and (we) want our employees to see Rim as a career. We hope to find out what our workers want to become, and tailor individual training plans."

Such a plan was drawn up for each employee. A participant could take up to 64 hours of training, with courses drawn from four categories: 1) English as a second language; 2) business skills (including guest services, working a shift at the desk, and security); 3) leadership skills (team building, coaching and mentoring skills); and 4) commer-

cial skills. Upon completion of training, each employee received a 5 percent wage increase. To obtain the \$75,000 in ETP funds, Rim agreed to pay employees their normal wages during the training, institute the 5 percent wage raise upon training completion, assist trainees in boosting wages through increased work hours (horizontal mobility) or job advancement (vertical mobility), and track for ETP the progress of trainees over two years.

In its first-year tracking, Rim concluded that the cross-training of skills allowed trainees to avoid reduced hours when business was slow and to augment work time in other periods. Room attendants were able to gain extra hours as housekeepers cleaning the public spaces in the hotel, busboys were able to gain extra hours as servers, and servers as banquet setup staff. “Trainees learned skills in food service, or facilities, or housekeeping that allowed them to extend hours; equally, they were able see the broad range of work opportunities in the hotel,” Kuhn said, “—opportunities to increase hours, and strategies for accessing them.” Further, within the first quarter of completing training, a number of the trainees advanced to higher level positions, as shown in Table 6.2.

Table 6.2 Seven Cases of Worker Advancement for Individual Trainees Who Completed Rim Hospitality’s Career Ladder Training

At time of entry into training program		90 days after completing training	
Occupation	Hourly wage (\$)	Occupation	Hourly wage (\$)
Room attendant	6.75	Front desk staffperson	8.00
Room attendant	6.50	Asst. exec. housekeeper	9.00
Front desk staffperson	10.25	Asst. general manager	14.00
Front desk staffperson	8.35	Front desk supervisor	9.00
Front desk staffperson	8.65	Sales coordinator	10.25
Front desk staffperson	8.50	Catering manager	12.75
Room attendant	6.75	Room inspector	8.00

NOTE: Each entry represents a single worker and shows a different career path taken.
SOURCE: Unpublished data from California Employment Training Panel.

DESIGNING EFFECTIVE SINGLE-EMPLOYER CAREER LADDERS

From the experiences of Kaiser, Fairmont, and Rim, as well as those of other single employers, we can identify the following four guidelines for designing effective single-employer career ladders:²

1. *Government training funds should only be used in single-employer career ladders to expand mobility opportunities beyond those existing in the company, not to fund skills upgrading that would otherwise be conducted.* As the job structures at Kaiser and Fairmont indicate, major employers have multiple paths of mobility. Government training funds should only be used in single-employer career ladders to spur training and advancement that the company would not undertake on its own.
2. *Training is best targeted at specific job openings, but alternatively it can be tied to openings in the future, since there is some immediate wage gain and reasonable expectation of future wage gain.* The Kaiser model, that of tying training to specific job openings, is the preferred approach, as it ensures advancement and wage gain. However, this frequently is not possible, even with a major employer. An alternative is the Fairmont/Rim model, in which training is tied to an immediate wage gain and to skills for future advancement.
3. *The training design should identify longer-term advancement opportunities beyond the immediate training.* The single-employer career ladders have been short term—less than four months—so wage and job gains have been limited. The individual training plans should identify longer-term advancement opportunities, including skills that employees will need to advance.
4. *Both the government and the employer should contribute financially, with the distribution of costs based on the wage gains and job placement that the employer commits to.* In each of the three career ladders noted above, the employer has assumed the cost of employee wages during training. The distribution of costs will differ between projects, depending on the

advancement and wage gains that the employer commits to before training.

PART 2: MULTIEMPLOYER CAREER LADDERS

Major employers, such as Kaiser, Fairmont, and Rim, are only a small part of the employer pool. If skills upgrading is to reach a greater number of workers—especially low-wage workers who are worst off—it must look to multiemployer career ladders. Principally, these projects involve industry associations, labor unions, and private and nonprofit training firms. Multiemployer career ladders provide a greater challenge to practitioners, as they bring in midsized and smaller employers who have fewer resources of their own to spend on training, few mobility paths within their own organizations, and the lowest-paid workers.

As economists Amanda Ahlstrand, Laurie Bassi, and Daniel McMurrer discuss in *Workplace Education for Low-Wage Workers* (2003), the multiemployer organization can distribute the costs of developing and operating training among firms.³ It can thus involve the small and midsized firms. Among the California career ladder projects, Rands Systems, a for-profit training firm, pooled training among operators of small machine shops in Southern California; California Bankers Association, an industry association, pooled training of back-office workers among small and midsized banks; the California Association of Health Facilities (CAHF), a second industry association, pooled training among nursing homes; and HERE, a union, pooled training among multiple hotels.

Among California multiemployer career ladders, the CAHF training for nursing home employees and the HERE training for low-wage hotel employees are illustrative. The CAHF training indicates how a multiemployer organization, using its knowledge of employer needs, can coordinate training among employers and establish skills upgrading that is tied to job advancements. The HERE training also was rooted in sector expertise and experience, though its impacts were dulled by the short-term nature of the training and the lack of ties to wage gains.

On the surface, nursing homes would not seem to be a promising venue for career ladders, given the high turnover of employees and the

absence of many established job ladders. However, nursing homes became the source of the main health care career ladders because of the enthusiasm of the industry association, CAHF, which represents more than 1,500 long-term care facilities in California, including 800 skilled nursing facilities.

“Our member facilities can’t find enough workers,” CAHF education official Ken Merchant said in a June 1999 interview. “Our facilities need RNs, LVNs, administrators, and most of all, they need CNAs.” Merchant estimated that 20,000 CNAs would be hired immediately if the workers could be found. Over the next five years, Merchant and CAHF designed projects to both recruit and train new CNAs, and other projects to assist existing CNAs to advance.

CAHF’s career ladders reflected Merchant’s view that CNA turnover could be reduced by advancement opportunities. In a 2001 report, “The Long Term Care Workforce Crisis: CNA Career Ladders and Nurse Training,” Merchant outlined the industry’s need for CNAs and proposed potential remedies. These included a statewide media campaign to recruit CNAs, better working conditions, and an industrywide program of career ladders. Merchant (2001) wrote, “If CNAs have a sense that they can advance, then they have a reason to stay.” In employer meetings that Merchant arranged throughout the state in 2000 and 2001, employers echoed this view. The personnel director at Beverly Enterprises, then California’s largest nursing home owner, told us that “the industry is incurring high costs with the registries, and we need ways not only to attract workers to the field, but to keep them.”⁴

One CAHF advancement strategy involved increasing the mobility in the existing job ladder of CNA to LVN. Licensed vocational nurse is a job of significantly higher pay; its salary ranges from \$50,000 to \$70,000. The advancement is not easy, as becoming an LVN requires completing 1,300 hours of instruction. Though LVN classes are offered at little or no cost at community colleges, few CNAs have the time, resources, or even the literacy or language levels to take advantage of the classes. Only an estimated 5–12 percent of CNAs become LVNs.

To increase this mobility path, CAHF assumed the role of training intermediary; it leveraged government training funds by using adult education funds and by soliciting financial participation from employers. In Riverside County, Plott Family Care Centers, a nursing home owner, joined with Riverside Community College to enable 27 CNAs to up-

grade their skills to those of LVNs. The employees attended class at the worksite for 20 hours a week and worked 20 hours a week, and they received wages for the 40 hours. Half of the wages during training were paid by the employer and the other half came out of state training funds. The instructional cost was paid by Riverside Community College and from state training funds. In San Jacinto, the Valley Health System, another nursing home owner, joined with the local community college to train 30 CNAs to become LVNs. In these cases and others, the employer operated multiple facilities and was able to absorb the new LVNs.

Table 6.3 shows the CNA-to-LVN projects in the state, indicating location of training, whether the CNA receives regular wages during training hours, and the government's and employer's financial contributions.

A second skills upgrading strategy by CAHF involved working with its employers to create new paraprofessional job categories between CNA and LVN: senior nursing assistant (SNA), restorative nursing assistant (RNA), and certified memory impairment specialist (CMIS). Each of these positions represents a gain in pay and responsibility for CNAs. This strategy is discussed in greater detail in the next chapter's section on career ladders and new job structures.

The HERE unions, as multiemployer associations, are involved throughout the nation in designing and operating career ladders. HERE unions also are main participants in the AFL-CIO's "Working for America" initiative, which emphasizes skills upgrading as part of a "high road" strategy of creating higher paying jobs through higher-skilled American workers. The unions, as they are sector-based, understand the structure of jobs in a sector and the needs of employers. Union officials possess detailed knowledge of how workers can advance in a firm or sector, the formal and informal networks they can use, the pay levels and responsibility levels they can expect. Further, they understand the craftsmanship that benefits the workers, the employers, and the industry.

HERE unions in four California cities—Los Angeles, San Diego, San Jose, and San Francisco—designed a pilot career ladders program in 2001 that focused on the dishwashers, housekeepers, and other lower-wage workers in hotels. A study commissioned by the unions concluded that these line employees most often failed to advance not because of a lack of technical skills but because of their lack of English language or

Table 6.3 CNA to LVN Career Ladders

Program	CAHF members	Funding source	Employer support	Program length	LVN trainer
Caregiver training initiative round programs	Facilities owned by Plott Family Care Centers/Plott Nursing Homes	WIA funds and employer funds	Employer pays student wages in a 20-20 program and provides substantial in-kind support	18 months	College of the Desert
Regional occupational program, CNA to LVN programs	Various Sacramento-area employers	Department of Education ADA funds, covering tuition and materials	Handled on a case-by-case basis, ranging from minimal support up to full employer payment for tuition costs and wages during training days	12, 18, or 24 months	Grant Joint Union High School District in Sacramento
Apprenticeship model, CNA to LVN programs	Various Fresno-area employers	Department of Education ADA funds and Montoya funds, covering tuition and materials	Handled on a case-by-case basis, ranging from minimal support up to full employer payment for tuition costs and wages during training days	12, 18, or 24 months	Clovis Adult School in Fresno

Table 6.3 (continued)

Program	CAHF members	Funding source	Employer support	Program length	LVN trainer
Employer/local WIA board/junior college CNA to LVN program, Stanislaus County	Various Stanislaus County members	50% WIA; 50% employer, community college, and other funds	Employers pay \$5,000 per candidate in direct tuition cost, plus \$2,000 in in-kind support. Most offer students income support, either using 20-20 models or loans that are forgivable if the student remains with the employer as an LVN.	18 months	Modesto Junior College, with training at Emanuel Medical Center, Turlock
Employer/local WIA board/regional occupational program, CNA to LVN program, Los Angeles County	Facilities owned by DK Fortune & Associates	WIA funds through the South Bay WIB		18 months	Los Angeles County (LA Unified School District)

SOURCE: Unpublished data from California Association of Health Facilities.

literacy skills, their paltry job interview skills, and their limited knowledge of advancement processes. The career ladder design focused on English as a second language, basic computer skills, customer service, and knowledge of job opportunities at the hotel. Funded with a \$500,000 grant from the California Community Colleges Chancellor's Office, the training started small, with designs that ranged from 8 to 41 hours, as shown in Table 6.4. A total of 123 workers in the four cities participated.

The hotel employers paid a portion of employee wages during the training. However, given the brevity of the training, the employers did not commit to any job advancement or wage gains.

Following the terrorist attacks of September 11, 2001, the bottom fell out of the hotel industry in California. San Francisco's HERE Local 2 reported in early 2002 that one-third of its members, 3,000 workers, faced layoff or significantly reduced hours. For the first nine months after September 11, the career ladders initiative went on the unions' back burner; then it emerged with a declared focus on cross-training and horizontal mobility to address the drop in hours. The workers who

Table 6.4 HERE Unions' Pilot Career Ladder Projects, 2002

City	Training	Number of participants
Los Angeles	32-hour training at LA Trade Technical College: mix of VESL, ^a introduction to computers, and guest services	20 housekeepers, banquet stewards, and housemen from 3 hotels
San Diego	41-hour training in VESL and individual career plans	15 housekeepers and front-office staff
San Jose	32-hour training in customer service and individual career plans	16 room attendants
San Francisco	8-hour training in individual upgrade plans	72 dishwashers

^a Vocational English as a second language.

SOURCE: Unpublished data from California Labor Federation.

were targeted for career ladders training were those whose hours had been significantly reduced since September 11.

The HERE career ladders project that emerged in early 2003 was funded by nearly a million dollars in the governor’s discretionary WIA funds and was built on the curricula of the pilot projects. The four projects, summarized in Table 6.5, all required workers to attend training on their own time, primarily in the evenings. All included VESL training and career counseling, and the San Diego career ladders included a worker-based mentorship program to assist workers in identifying opportunities for additional hours or new jobs (Bricker 2002; San Diego Employee Training Institute 2002; City College of San Francisco 2002).

Jim Potterton, an instructor at San Jose City College, was retained in late 2003 by the California Labor Federation to evaluate this project. Potterton’s evaluation noted the willingness of workers to attend training on their own time and the likely value of the mentorship and English-language training, but described as “problematic” any job and wage gains. Employers made no commitments for increased hours, wage gains, or promotions, and neither employers nor unions undertook any tracking of wage gains.

Table 6.5 HERE Career Ladders for Workers Reduced to Part-Time Status, 2003

City	Training	Participants
Los Angeles	VESL ^a —40 hours	15 VESL students
	Career advancement strategies—24 hours	75 workers (including the VESL group)
San Diego	VESL—90 hours	75 trainees
	Career advancement—43 hours	31 trainees
San Jose	VESL—60 hours	40 trainees
San Francisco	VESL	50 trainees
	Food and beverage skills training	25 trainees

^a Vocational English as a second language.
SOURCE: Unpublished data supplied by Jim Potterton, San Jose City College, for the California Labor Federation.

Following the project's completion, HERE Local 2 in San Francisco used money from its own joint labor and management training trust fund to continue the counseling on horizontal and vertical mobility with low-wage workers. Since even unionized workers at major hotels are not guaranteed a full set of hours, this inexpensive counseling can be a cost-efficient use of the union's training funds. However, the governor's discretionary WIA funds were not renewed in 2004, and, although the counseling has continued, neither the unions nor the employers have identified funds to continue language or skills training.

DESIGNING EFFECTIVE MULTIEMPLOYER CAREER LADDERS

Examining multiemployer career ladders in other states, we find that, as in California, they are primarily in initial stages and of small scale (Colborn 2005). Yet from the existing projects we can identify five elements of effective multiemployer skills upgrading:

1. *The effective multiemployer organization is based in the industry sector and possesses credibility with employers.* As with effective job training for the unemployed, effective skills upgrading is rooted in knowledge of the structure of jobs in the sector and the needs of employers. The industry associations and labor unions usually possess this sector expertise, as do select training agencies. The training agencies that succeed are those that are not perceived as antipoverty entities, looking only to worker gains and unconcerned with the industry. Labor unions succeed as multiemployer organizations in career ladders to the extent that they are able to design skills upgrading that benefits employers as well as workers.
2. *Multiemployer career ladders, like single-employer career ladders, are best tied to specific job openings; alternatively they should be tied to some wage gain and carry a reasonable expectation of future wage gains.* The CAHF licensed vocational nurse training is an example of training tied to immediate promotions and wage gains. However, this is the less com-

mon situation—one in which an employer knows when openings will occur (or has sufficient openings at all times) and can time the training. Alternatively, multiemployer career ladders should be expected to meet two tests if they are to receive government or foundation training funds: a tie to some immediate wage gain, and tracking of employees to measure future wage gains. Without significant employer buy-in, the training can be insufficiently focused on skills needed for advancement or improved performance.

3. *Training costs should be allocated among the participants: the employers, the workers, the multiemployer association, and the government agencies providing workforce training funds.* To distribute costs among these parties, workforce training funds should be used to leverage financial participation by employers. Unions can be expected to participate financially where a joint labor-management trust fund exists and where workers are expected to undertake at least some of the training on their own time.
4. *Multiemployer career ladders should be about having an impact on the structure of jobs as well as the skills of workers.* The multiemployer associations, because they are industry-wide, have an opportunity to affect the structure of jobs, not just the skills of workers. Career ladders should be not only about mobility for individual workers but also about creating additional mobility positions. The role of multiemployer associations in influencing job structure is discussed in greater detail in the next chapter, including CAHF's role in creating additional higher-paying paraprofessional positions in nursing homes.
5. *Multiemployer career ladders should have as their core objective the professionalization of the low-wage workforce.* High-quality multiemployer associations, especially high-quality industry associations and labor unions, are built on the idea of craftsmanship. Career ladder projects, to be sustainable, must be about improving craft in an industry sector as well as about higher wages. This professionalization is discussed in the next chapter as one of the principles underlying a sustainable skills upgrading system.

It is possible to identify elements of effective single-employer and multiemployer career ladders, and to identify examples of both that have been able to show wage gains linked to skill gains. But taken together, both single- and multiemployer projects exist today as relatively small pockets in the employment field. Further, they have often been dependent on discretionary government training funds and have ceased operation when these funds have ended.

This has been the dynamic of career ladders for some years. For example, during Jerry Brown's two terms as governor of California, from 1974 to 1982, he established a career ladder program, the California Worksite Education and Training Act (CWETA), that achieved some success in producing greater worker mobility. In the long-term health care subsector, for example, CWETA increased the movement of workers from CNA to LVN and created new paraprofessional job categories such as geriatric technician. However, the program was funded using discretionary state training funds. Soon after the next governor, George Deukmajian, took office, the program ended—the expertise, the experience, the structure, all lost.

In the years since Jerry Brown's career ladders, other career ladder efforts in the state and nation, some of them effective, have come and gone. Practitioners have grappled with how to achieve a more sustainable skills upgrading system, and today sustainability remains a goal for most career ladder projects. The next chapter examines how workforce partners are used in achieving a sustainable skills upgrading system, as well as some of the principles that need to underlie such a system.

PART 3: THE AGRICULTURE CAREER LADDERS THAT DIDN'T DEVELOP

Governor Davis always spoke with emotion when he spoke about the farmworkers in California. These farmworkers perform the hardest physical labor, he would say. They do the work that other California workers do not want to do. They keep food on our plates at affordable prices. They deserve to make a decent living.

Partly because of the governor's strong views, improving the wages and job mobility of California's farmworkers became one of our career

ladder priorities. But our efforts in this sector had less impact than in any other sector. Attempts to increase wages or mobility were undermined by the undocumented workforce that dominates California agriculture, as well as by the impacts of globalization on California agriculture.

Over four years, our career ladders in agriculture centered on an appealing career ladders effort already under way in 1999, run by the Farmworker Institute for Education and Leadership Development (FIELD). FIELD is a spinoff of the United Farmworkers, which is part of the AFL-CIO, and it set out to apply to agriculture the AFL-CIO's "high-road strategy" of increasing wages through increasing skills. David Villarino, a longtime union organizer and the executive director of FIELD, saw career ladders as bringing about wage increases through farmworker skills development leading to increased productivity. In a 1999 speech, he described FIELD as being "as much about strengthening the agriculture industry in California as it is about benefiting farmworkers."

A few years earlier, in 1996, FIELD had joined with one of California's unionized rose growers, Bear Creek Corporation in the southern Central Valley, on a career ladders effort for farmworkers in rose production. FIELD and Bear Creek obtained government training funds to upgrade the skills of company workers in preparing and harvesting bare root roses. Bear Creek, a Japanese-owned company, also used the training to emphasize teamwork among employees, including collective problem solving.

According to FIELD, the project showed the effectiveness of skills upgrading for farmworkers. Although no independent analysis was conducted, FIELD's literature claimed that rose quality improved significantly, allowing Bear Creek to sell more of its roses at a higher grade. By 1999, according to FIELD, Bear Creek's percentage yield of premium roses had increased by 54 percent over 1996. Over the three-year period, the number of workdays lost because of injury decreased by 800 percent, and the average cost of a worker's compensation claim plummeted from \$27,000 to \$1,200. For the workers, average hourly earnings increased from \$7.62 to \$8.07, and piece-rate earnings increased from \$11.13 to \$16.12 (CalWIB and DOLETA 2002).

The Clinton Labor Department saw Bear Creek Rose as a model of farmworker-employer cooperation, and in 1999 FIELD received nearly \$800,000 from the department to set up a farmworker/grower train-

ing institute, which FIELD named Strengthen Our Agribusiness Region (SOAR). Through the institute, farmwork would become professionalized, and productivity and wages would increase (FIELD 2002, pp. 4–5).

Over the next two years, FIELD commissioned a series of research studies on three main crops of the San Joaquin Valley—table grapes, bare root roses, and citrus (Alvarado 2001; Kwass 2002; Means 2001; Mines and Shelley 2001). These studies broke down farmwork into distinct tasks. “While much of the work farmworkers do requires generalized physical skills,” a FIELD research report stated, “each crop has specialized tasks that a person must be properly trained to do correctly and efficiently . . . All of these skills take time to learn, and time to perfect before the worker is fully proficient” (FIELD 2002, p. 10).

A study team from Bakersfield College identified six distinct tasks in growing table grapes, including pruning, debudding, tipping, and tying. Table 6.6 lists the skill standards involved in one of these tasks, pruning. A farm workforce that mastered these skills would increase the grape industry’s productivity. At the same time, since table grapes were paid partly by piece-rate, the individual farmworker would increase his wages.

Similarly, seven distinct skills were identified by the Bakersfield College team in the growing of bare root roses, including brush cutting, saw shedding, de-eyeing, dethorning, counting, wrapping, and tying the bundles (Means 2001).

In 2001, FIELD set out to put the research into practice and establish partnerships with growers, similar to the one with Bear Creek Rose. But the growers showed little interest. For the nonunion growers, the association with FIELD raised the prospect of letting the union into the workplace. Even the unionized growers saw little role for a formalized training program at a time when they were under pressure from foreign competition to keep wages low.

Anthony Alvarado, a professor at Fresno State University and one of the FIELD researchers, noted at the time the difficulty of replicating the bare root rose training with other crops, including the main crops of citrus and grapes. With these crops, the premium was on physical speed and dexterity. As Alvarado wrote in his FIELD analysis of the citrus crop,

Virtually anyone in the central California region who is associated with farm labor would be able to pick an orange correctly,

Table 6.6 The Craft of Farmwork: Skills in Pruning Table Grapes

Job classification	Pruner
Job skill standards	<ol style="list-style-type: none">1. Can demonstrate ability to distinguish between new wood and old wood from the previous year, which is different in color2. Can demonstrate ability to distinguish between a spur and a cane and select appropriate spurs or canes to cut3. Can demonstrate knowledge of the number of spurs or canes to leave, depending on variety of grape4. Can demonstrate knowledge of spur/cane position to determine the right/left orientation on wires5. Can demonstrate ability to determine weak/strong spurs/canes for pruning6. Can demonstrate understanding of grower's instructions to determine the length of cuts and number of spurs/canes to leave on the vine7. Can demonstrate knowledge of how and where to cut so as not to harm the plant, placing clean, sharp cuts at the proper distance from the trunk8. Can demonstrate ability to identify parts of vine that no longer produce and remove them9. Can demonstrate ability to properly utilize hand tools and equipment, including pruning shears and rip saw10. Can demonstrate ability to inspect and maintain equipment; i.e., where to oil, when to change blades, and how much to tighten bolts as to not smash or tear the plant
Additional competency	<ol style="list-style-type: none">1. Moderate-level hand-eye coordination
Physical demands	<ol style="list-style-type: none">1. Standing for extended periods of time2. Repetitious hand, wrist, or elbow movement3. Frequent bending, twisting, or reaching4. Must have the ability to exert muscle strength repeatedly over time

SOURCE: Means (2001).

knowing to clip the stem above the navel without damaging the branch or dislodging the navel from the fruit. However, nearly 10 percent of a worker's compensation in citrus harvest is piece rate. Compensation and, indeed, even qualifying for a crew requires a high level of proficiency and physical dexterity, even though the basic skill can be learned (according to workers) in an hour or two. (Alvarado 2001)

Alvarado surveyed farmworkers, who told him that they would invest their own time in job-related training if it would lead to higher wages. However, FIELD was unable to convince growers that training could yield greater productivity and justify higher wages.

Nor did the growers respond to a second career ladders strategy that FIELD put forward: cross-training to ensure an adequate workforce for growers among the different crops and to ensure a longer work year for workers. The limited work year was a main cause of the low average farmworker income. (In 1998, California farmworkers averaged less than 26 weeks of work.) Since harvests of the various crops come at different times of the year, FIELD saw an opportunity for improving the movement of workers between crops by serving as a central labor exchange for growers.⁵ However, growers were not interested in a FIELD central labor exchange. The growers had come to rely over the previous decade on a system of farm labor contractors supplying undocumented workers. The growers were reluctant to share workers among crops or to take any action that reduced their ability to call workers on demand.⁶

In late 2001, FIELD did implement a training program for farmworkers that involved some specialized skills (mainly English as a second language [ESL]), as set out below in Table 6.7. The ESL train-

Table 6.7 FIELD's Career Ladder Training for Farmworkers, 2002–2003

Course	Length of course	Number enrolled
English as a second language	10 wks. (night class)	442 (2002)
	5 wks. (day class)	285 (2003)
Crop cross-training	2 days	—
Forklift driving	3 days	—
Pesticide application	1 day	—
First aid/CPR	1 day	—

NOTE: — = data not available.

SOURCE: Unpublished data from Farmworker Institute for Education and Leadership Development (FIELD).

ing totaled 150 hours. In contrast, each of the four skills trainings—in crop cross-training, forklift driving, pesticide application, and first aid/CPR—was less than 20 hours.

This structure of training reflected the desires of the farmworkers—nearly all foreign-born—to learn English, and the farmworker response to the training was huge. FIELD set up training in three small agricultural communities outside of Bakersfield: Delano, Shafter, and Arvin. According to Bronwyn Mauldin, FIELD's research director, having "the training locations near the fields allowed workers to attend class after work, and to walk or share transportation to classes. We had farmworkers coming from their fields after work and taking classes." A total of 442 farmworkers enrolled in 2002, and 285 in the first half of 2003. All opted for the ESL training (Level 1 or Level 2),⁷ and about half took the crop cross-training. A third took the forklift driving or pesticide application trainings.

Yet the goal of most of the farmworker students in learning English was not to advance in agriculture but to find jobs outside of agriculture. In fact, even in FIELD's own worker testimonials, the participants speak of learning English to leave agriculture (FIELD 2003).

- A 21-year-old participant: "My last job I worked for a Farm Labor Contractor, picking grapes, and I earned \$6.75/hr. My reason for entering FIELD was to learn how to speak English and to find employment out of the fields."
- A 45-year-old participant: "My reason for entering FIELD was to learn English and to get a better-paying job. My last job I did field work in grapes and almonds and earned \$6.25 hour. My career goal is to be a cashier or receptionist."

Other farmworker participants identify career goals of leaving agriculture to become nurses and child care workers.

FIELD has not given up, and it continues to explore skills upgrading strategies to improve wages and mobility in agriculture. But up to this point, its efforts show the difficulty of installing career ladders when the employer community is not committed, despite very active marketing by FIELD. More basically, FIELD's efforts show the limits of career ladders in an industry that has become dependent on a low-wage workforce because of foreign competition and an availability of undocumented workers.

Phil Martin of the University of California, Davis, is California's foremost authority on agriculture workforce studies, having studied the state's agriculture workforce for more than 20 years. He is skeptical that any skills upgrading can lead to higher wages as long as there is a large pool of undocumented workers willing to work for lower wages.

In an article for *California Agriculture* in early 2000, Martin and coauthor Ed Taylor observe that for many years now, agricultural labor organizers have striven to make farmwork more like other labor sectors in California—that is, to obtain benefits, more stable employment, and higher wages. However, for all their efforts, organizers have not met with much success—it all comes back to the fact that there is a large labor pool that will do the work for low wages. Instead of farmwork becoming more like nonfarmwork in California, the opposite has happened: low-wage markets in nonfarmwork are coming to resemble those in farmwork—they have unstable employment and no benefits.⁸ For farmwork, Martin and Taylor (2000) see little prospect of change.

“The industry is built on a low-wage workforce,” they write. “As long as growers can get undocumented workers, they have little incentive to invest in technology or any workforce training or systems that might improve wages.”⁹

Notes

1. California Employment Training Panel, “One-Step Agreement for the Fairmont Hotel San Jose,” meeting of the panel, June 27, 2002, Sacramento, California.
2. For an overview of emerging career ladder programs throughout the nation and a fine analysis of the challenges for practitioners, see Giloth (2003) and Kazis and Miller (2001).
3. Ahlstrand, Bassi, and McMurrer (2003) survey major employers on training provided to low-wage workers. Though they profile a number of major employers who are investing in their low-wage workers, they acknowledge that most employers do not see the benefits of doing so. The movement of low-wage workers among firms, the costs of training (both direct costs and wages paid during training), and limited discretionary income for small and midsized firms, all are reasons why training is not conducted. The authors suggest that firms look at multiemployer organizations, which spread costs among employers in an industry sector, as one means of overcoming these obstacles.
4. Meeting at Beverly Enterprises, 1999.
5. For example, over 80 percent of citrus workers in the San Joaquin Valley are employed in citrus in March and April, but less than 60 percent are employed in

May. In bare root roses, 80 percent of the workforce is employed in June and July but less than 30 percent in February. FIELD estimates that over 50 percent of citrus workers also work in grape harvest season, and 30 percent of grape workers also work in citrus. However, although this cross-employment exists, there remains a gap between the current level and what might be achieved through a central labor exchange.

6. At EDD, we too tried to interest growers in a central labor exchange that would better coordinate worker movement among crops, but we achieved little success. Bob Garcia, statewide head of EDD's Job Service, met with growers in the San Joaquin Valley in 2001. They worried that they would not mobilize enough workers to meet their harvest needs. Garcia and Diego Haro, head of the valley Job Service offices, developed a labor exchange structure they called the Farm and Agricultural Recruitment Management System (FARMS). In FARMS, the EDD agriculture outreach workers would collect detailed information from employers on how many workers they needed and when they needed them. EDD would share this information with the farm labor contractors, the local EDD staff, and other growers, to coordinate workers among crops. "While this workforce coordination makes sense for the industry as a whole, individual growers do not see it [as being] in their individual interests," Haro reported after meeting with growers. "Each grower wants a workforce on demand, and has no incentive to share with other growers his contacts with farm labor contractors or workers. Such sharing is perceived as threatening a grower's ability to obtain workers quickly when he needs them for harvest." After a year, FARMS ended because of the lack of grower interest.
7. These are levels set by FIELD; Level 2 is for workers with greater English proficiency.
8. In the same article, Martin and Taylor (2000) note that the agricultural labor market has not changed much over the past century in California. Since the early twentieth century, California agriculture has been dominated by agribusiness—large farming businesses rather than family farms—employing seasonal workers. "One remarkable feature of the California labor market is how little change there has been in the basic parameters over the past century—using bilingual middlemen to hire crews of seasonal workers," they write. "A farmer from 1900 would be baffled by drip irrigation, vacuum cooling, and the widespread use of computers, but would be very familiar with the use of bilingual contractors and crew bosses to assemble immigrant farmworkers to perform seasonal harvesting tasks."

This system of seasonal workers generally works well in meeting the industry's needs in harvesting fruit and vegetables. Few crops are not fully harvested because of lack of workers. Hundreds of workers often are assembled on very short notice to harvest a crop in one part of a region—say, the Central Valley—for three weeks or so, and then reassembled a short time later in another part of the valley.

But the system also means the agriculture industry has a workforce that lacks steady employment, receives low wages, and depends on government unemploy-

ment insurance, housing, and health benefits. This socializes the industry's labor costs across the economy.

9. In 1983, Martin anticipated this agriculture workforce dynamic continuing so long as there exists a large pool of undocumented workers. See Martin (1983).

7

Principle Five: Maintaining Career Ladders for the Working Poor

Sustaining Effective Career Ladders Means Influencing the Structure and Craft of Jobs

Existing career ladder projects are developing from the ground up, in a marketplace of approaches. Individual union branches, industry associations, and state and local governments are all testing projects. Usually there is little contact between these projects, which are often in competition with each other for resources. The projects test what employers are willing to pay for, what workers are willing to invest their own time in, and what brings vertical or horizontal mobility or wage impacts.

This is the way that a skills upgrading system should be built—not from a single unified or cooperative effort, but from testing, refining, competing. In California’s hospitality sector, for example, career ladder projects are variously sponsored by unions, by nonunion employers, by the industry association, and by private training firms. They may provide short-term vocational English as a second language (VESL), longer-term VESL, individual career counseling, and specific technical skills.

Converting this dynamic process into a sustainable career ladder system involves building on the dynamism, not reducing it. Practitioners will be challenged to expand their roles in skills upgrading in three main ways:

- 1) They must create sector-based partnerships that link workforce funds and foundation funds (both of which seed career ladder projects) with the local community college districts and joint labor-management trust funds that have been providing skills upgrading for years.
- 2) They must foster sector-based partnerships with employers and with workforce intermediaries that will influence the structure of mobility within a sector, not just the skills of workers.

- 3) They must further encourage these sector-based partnerships with employers and workforce intermediaries to professionalize the low-wage workforces.¹

PART 1: LINKING CAREER LADDERS OF THE WORKFORCE SYSTEM WITH COMMUNITY COLLEGES AND JOINT LABOR-MANAGEMENT TRUST FUNDS

Conferences and studies on America's low-wage workforces usually emphasize what training doesn't exist. Yet we should not overlook the significant opportunities that low-wage workers do have today to gain skills through adult education or the community colleges, at little or no cost.

In the United States, we have built an impressive complex of what Norton Grubb of the University of California, Berkeley, has termed "second-chance institutions": institutions for individuals who need to restart their work lives. This restarting may arise because of changes in the economy, or geographic mobility, or individual preference, or desire to advance in the workplace. The second-chance institutions include four-year colleges, which today are more open to older students; youth programs and dropout prevention programs; job training; welfare to work; proprietary schools; and community colleges.

At the individual level, these second-chance institutions allow people to rejoin the economic mainstream. From a collective perspective, second-chance institutions allow the economy to adjust to changes in the requirements of work and to shortages and surpluses of labor. "They [are] part of the complex of institutions that have made our economy more flexible and robust since the 1960s," says Grubb (2001).

Community Colleges: Advantages and Limitations for Skills Upgrading

The community college system is the most extensive of the second-chance institutions, especially for workers seeking new or better jobs. Skills upgrading for workers is not the sole mission of the nation's more than 1,000 community colleges: the community colleges prepare high

Four Reasons Community Colleges Make Effective Partners in Sustainable Skills Upgrading

1. Currently, there are more than 1,000 community colleges throughout the United States.
2. The colleges offer classes in a variety of skills: literacy (English language training for native speakers), English as a second language, and vocational. They enable workers to take courses at night or on weekends to increase their skills, and at little or no cost.
3. The colleges are expanding their reach in career ladders through “contract education” with employers. Having a contract links training more closely to skill needs identified by employers, and at times links it to immediate wage gains.
4. The next step in sustainability is expanding the colleges’ entrepreneurship in contract education to provide additional workplace-based skills upgrading in concert with local workforce boards, employers and multiemployer associations, and joint labor-management funds.

school graduates for four-year institutions as the students earn a two-year associate’s degree from the community colleges. But skills upgrading is a main mission, and it covers literacy, English for foreign speakers, and technical skills. Technical skills, in turn, may include everything from dental hygienist to medical transcriber to auto mechanic.

Workers can attend classes, often at night, at little or no charge. An in-home health worker, for example, could attend a literacy course or an ESL course to improve her language skills for as short or as long a period as she desired. She could next take a course in a technical skill, say, that of a medical assistant, that could prepare her for a better-paying job. The language and technical classes for the most part are not dependent on discretionary government funds, as community colleges enjoy a dedicated source of education funds from the federal and state governments.

However, in practice the community colleges have been limited in the impact they have on skills upgrading by both the limits of their resources and their location outside of the workplace. Most community colleges have set up employer advisory committees that review curricula and suggest job leads. Despite that, the training, as it has been supported by federal and state education funds, has not been tailored to individual employers or to specific job advancements.

Workplace-centered “contract education”

Community college districts throughout the country, in an attempt both to find new sources of revenue for themselves and to increase their reach in skills upgrading, are becoming more entrepreneurial, marketing workplace-centered “contract education” to employers. Under this method, the colleges contract with one or more employers to provide skills upgrading that is tailored to workplace needs. The training includes both language and literacy training and specific technical training. The training can take place at the workplace or at the college.

David Gruber, a specialist in incumbent workforce training, was hired by several community college districts to develop contract education projects. In one project he developed, Mira Costa College in San Diego contracted with Beckman Coulter, a Fullerton, California, manufacturer of biomedical testing equipment, to train the company’s lower-level manufacturing workers. The 100 hours of training, custom-designed for the employer, included laboratory safety and clean-room procedures, math and chemistry skills, and principles of filtration. Upon completion, the trainees were guaranteed a wage increase from the \$11–\$12 an hour they were earning to \$13 an hour. The employer paid wages for about two-thirds of the training, and the workers contributed their own time for the other one-third. Workforce funds were used to pay training costs.²

The workforce practitioner can find in the community colleges a partner in designing and funding additional workplace-centered skills upgrading. Each skills upgrading project is likely to have a different mix of funding from the local workforce board, the local community college district, the employer, and, if applicable, the joint labor-management trust fund. In the case of Mira Costa College and Beckman Coulter, the community college district was paid for the training. In other cases, though, workforce practitioners should expect the commu-

nity college to use its own resources for skills or remedial training as part of the funding partnership.

Restructuring education around career ladders

Community college districts already are looking at fulfilling a greater role in ongoing career education for workers—a role that goes beyond contract education for specific classes. For example, in 2000, the California state community college board held hearings on the workforce of the future, which led to a July 2001 report titled *Ladders of Opportunity: A Board of Governors' Initiative for Developing California's New Workforce*. The report argued that California community colleges were based in the “old economy,” which trained workers for specific technical skills. The colleges needed to structure their educational services around the concept of career ladders, defined as “long-term career progression pathways to help individuals to advance.” To accomplish this, the colleges needed 1) to join with employers to identify the problem solving skills, critical thinking skills, literacy and language skills, and technical skills that would enable workers to be most productive; and 2) to join their financial resources with government workforce funds and employer funds (Board of Governors 2001).

The report's recommendation of a \$50 million “Career Ladders Innovation Fund,” financed by the state government, died when state budget fortunes turned sharply downward in 2001. Still, the report's vision of ongoing career education for a wide variety of workers continues to inform the colleges' career ladder planning in the state. It has led the state college board to consider devoting a greater share of its dedicated funding to career ladders—especially in cases where other resources from workforce boards, employers, and joint labor-management trust funds are present.

Labor-Management Trust Funds

While community colleges have been the main public sector institution for career ladders, a main private sector vehicle has been the joint labor-management trust fund for training. The trust fund is established by one or more employers and unions through a collective bargaining agreement, under the provisions of the Taft-Hartley Act of 1947. The employer contributes a percentage of gross payroll or hourly wages for

**Joint Labor-Management Training Trust Funds
as a Partner In Sustainable Skills Upgrading**

1. Currently, the joint labor-management training trust fund, by which one or more employers agree to contribute a percentage of payroll or an amount per hour worked to a training fund, has been a main private sector vehicle for funding career ladders. Major trust funds have been negotiated over the past half century by the large unions in several sectors, including the construction building trades, steel and automobile manufacturing, communications, hospitality, and health care.
2. The trust funds support various kinds of training, such as tuition reimbursement at four-year colleges and community colleges, career counseling, and targeted skills upgrading.
3. The trust funds do compete for and receive workforce training funds on specific projects.
4. The next step in sustainability is to build on the trust funds' resources, sector knowledge, and existing links with workforce funds and community colleges, for a wider skills upgrading reach.

training. The employers and unions jointly decide on the use of the training funds.

The building trades for decades have sponsored the most extensive trust funds for training, as part of their extensive apprenticeship programs. Other major trust funds for training exist in unionized manufacturing firms, notably in the automobile and aerospace sectors, as well as in the major unionized communications firms.

Nancy Mills, head of the AFL-CIO's Working for America Institute, the union's center for skills upgrading and career advancement, notes that the trust funds have taken several forms. In sectors such as steel, autos, and communications, where employment has declined, trust funds have been generously funded by large employers to assist workers in retraining for other sectors, as well as in advancing within the

sector. To give two examples, the Communications Workers of America created the Alliance for Worker Education, and the United Steelworkers of America created the Institute for Career Development. Both offer a broad variety of career training for members.³

In health care, major trust funds have been established for training by the giant health care unions, Service Employees International Union (SEIU) Local 1199 in New York (under whose plan health employers contribute 0.5 percent of gross payroll) and the American Federation of State, County, and Municipal Employees (AFSCME) District 1199 in Philadelphia (whose health employers contribute 1.5 percent of gross payroll). The trust funds offer general career advancement opportunities through tuition reimbursement at colleges and community colleges. They also offer targeted trainings for technical skills to advance within the workplace.

The challenge of expanding training trust funds

Expanding trust funds for training to additional firms and sectors offers opportunity for sustainable skills upgrading, at least among unionized employers. But even among these employers, expansion will not be easy, given the other demands on employers and unions. Even in the fastest growing sector, health care, the trust funds of SEIU Local 1199 in New York and AFSCME District 1199 in Philadelphia are exceptions. These funds reflect both the influence of these two mature unions and the prevalence of public sector health facilities in their jurisdictions. Their replication is difficult.

In northern California, the main union for low-wage health workers, SEIU Local 250, researched training trust funds in 2004 and announced it was making the trust fund a part of its upcoming contract negotiations with its largest employer, Kaiser Permanente. At the time of the announcement, Ed Chiera, Local 250's training advisor, pointed to the medical assistant and acute care nurse assistant training that Kaiser and Local 250 collaborated on as showing that "a company's investment in upgrading can be justified financially in reduced recruitment costs and increased retention."⁴

However, Kaiser already maintains extensive tuition-reimbursement programs for employees and has invested over \$2 million of its own money in recent career ladder projects with government, so the trust fund becomes an additional training expense. The union in turn

indicated that the trust fund may be a lower priority in bargaining than maintaining low-cost health care benefits for the union membership and other dollars-and-cents issues.

Yet, especially with globalization intensifying the competitive environment for nearly all unionized sectors, a greater reach for training trust funds need not be the sole responsibility of employers and unions. Unions and training trust funds today apply for and win government and foundation training funds, and partnerships with the workforce system are nothing new.⁵ For the workforce practitioner, the challenge is to pull together the trust funds, community colleges, and workforce funds in ways that encourage all partners to contribute. At the same time, as employers and unions see their training trust-fund monies leveraged in the workforce system, they have incentive to expand the number and size of these funds.

PART 2: INFLUENCING THE STRUCTURE OF JOBS, NOT JUST THE SKILLS OF WORKERS

As practitioners are able to build financing partnerships for ongoing skills upgrading, they build greater mobility into the firm or industry. Mobility increases as training becomes a benefit offered to a wider range of workers and as skills upgrading and promotion become an industry practice.

However, practitioners also have the opportunity, by utilizing training resources, to more directly affect the structure of jobs and mobility. This is not a role that practitioners traditionally have played: we traditionally have focused on the skills of workers. However, in a couple of major sectors, health care and day care, government reimbursement structures could be shaped to reward skills upgrading. In a wider number of sectors, practitioners could strategically utilize job training resources to spur advancement through creating additional paraprofessional opportunities.

An Approach Taken in the Nursing Home Industry

Let me illustrate with an example from the long-term health sector. As described in the previous chapter, nursing homes became a center for career ladder efforts in California because of the enthusiasm of the industry association, the California Association of Health Facilities (CAHF). CAHF started with a program to increase the mobility of CNAs to LVNs, and it linked funds from community colleges, employers, and government job training to pay for it.

However, CAHF soon recognized the limits of this approach. While its projects by late 2001 represented an expansion of CNA-to-LVN training, they still reached only a small number of CNAs in California—around 300–400 participants, or less than 1 percent of the CNAs in long-term care.

Beyond the limited numbers, though, there were other limitations to the CNA-LVN job ladder. Many CNAs were not good candidates for classroom training, either because they were recent immigrants without basic English skills or because (whether from learning disabilities or learning style) they did not succeed in classroom settings. But just as importantly, many CNAs were quite competent in direct patient care and brought a personal commitment and skill to their jobs. “What sense does it make to take these workers out of direct care?” Bob Marr often asked in career ladder discussions at EDD. “Wouldn’t they—and nursing home patients—be better off if they remained in direct care, with higher pay and increased responsibility?”

So, in 2001, CAHF joined with EDD and the Paraprofessional Healthcare Institute (PHI), a Bronx-based group specializing in training for the healthcare workforce, on an alternate strategy: creating new, intermediate job categories between CNA and LVN. These would be positions of higher pay and responsibility than CNA, but still within direct care. Three intermediate job categories were identified, as shown in Figure 7.1: senior nursing assistant (SNA), restorative nursing assistant (RNA), and certified memory impairment specialist (CMIS).

Instituting the senior nursing assistant

The SNA became the first paraprofessional position we targeted for employer recognition. As PHI’s president, Steven Dawson, explained, the SNA was to be an experienced and trained CNA whose job was to

Figure 7.1 Five Steps in Forming New Intermediate Job Categories between CNA and LVN

- 1. Create intermediate career steps recognized by the long-term care industry.
- 2. Expand capabilities and responsibilities for CNAs, making the positions more attractive.
- 3. Provide an hourly wage differential for experienced CNAs.
- 4. Provide added value to employers and care recipients.
- 5. Enable employers to identify CNAs with high potential to advance to LVN positions, and enable CNAs to recognize their capacity to train and advance.

SOURCE: Unpublished diagram from California Association of Health Facilities.

mentor other CNAs.⁶ For employers, the SNA could reduce the turnover among CNAs and increase employee morale. For CNAs, the SNA represented an opportunity to advance in responsibility and pay.

Establishing a new paraprofessional position like SNA required one of two actions. First, the state could recognize the SNA in its reimbursement structure and reimburse employers at a higher rate for SNAs. This proved not to be feasible in the short run, since California's reimbursement structure was not open for alteration by the governor and legislature until 2004. Alternatively, CAHF could advocate the SNA as a good practice, and state government could promote the position by underwriting certain training costs.

We followed the latter course, and CAHF developed a model 80-hour training curriculum for the SNA: 40 hours of classroom training, followed by 40 hours of on-the-job training—primarily leadership and mentoring skills. Employers were offered training funds to cover the 80 hours if they agreed to a wage increase of at least \$1 upon training completion.⁷

The first project off the ground involved Life Care Centers, a national nursing home operator with several facilities in the San Diego area. In early 2002, Life Care received nearly \$400,000 in state ETP funds 1) to train 105 housekeeping, laundry, and dietary aide staff to become CNAs; and 2) to train 140 CNAs to become SNAs. The 140 SNAs would be trained over a period of years.⁸

Results of adding SNAs

The first class of five SNAs completed training in late 2002, and three months later the employer expressed satisfaction with their initial performance. Life Care's head of operations, Tom Skiba, described the SNAs as showing value in promoting teamwork and in sharply reducing absenteeism, thus saving money for Life Care on registry use (The registry was an expensive option for Life Care: it cost \$23 an hour for a registry CNA compared to slightly more than \$12 an hour for an employee). Skiba also claimed that the SNA significantly aided his recruitment. "Word of mouth about an employer spreads quickly," he explained, "and the SNA is a good selling point to recruit and retain. Workers see it as a goal they can work for."⁹ The SNAs at Life Care received an immediate \$1 an hour increase, with incremental increases up to an additional \$1 over the next year.¹⁰

CAHF did its own examination of Life Care's SNA program and confirmed a decline in registry use, reduced absenteeism, and improved morale among CNAs. In early 2003, CAHF allocated \$600,000 of Workforce Investment Act (WIA) funds—the money came from a larger WIA grant from EDD—to fund other employers in creating paraprofessional positions and training CNAs for these positions. Table 7.1 summarizes the training, which included SNA and two additional paraprofessional job categories: restorative nurse assistant (RNA), representing skills in physical therapy, and certified memory impairment specialist (CMIS), representing skills in the treatment of patients with Alzheimer's and other memory disorders.¹¹

In return for training funds, employers agreed to pay wages during training time, promote the CNAs upon training completion, and provide an immediate pay increase of \$0.75–\$1.25 an hour.¹² The employer response was strong, with 70 employers volunteering for the training of a total of 250 SNAs, and about an equal number of employers volunteering for the training of 124 RNAs and 300 CMIS workers.¹³

The creation of these new job ladders in long-term care has been accompanied by questions concerning the next steps for CNAs promoted to the new paraprofessional positions (the LVN remains a big jump), and has been hampered at times by the lukewarm support of some health care unions.¹⁴ Still, these new paraprofessional positions are showing some staying power. CAHF reports that employers are continuing to recognize the new advanced positions and train for them, even as government training funds have run out.

Efforts in Other Industries

Our efforts to create new intermediate positions in other industries met with mixed results. We spent a lot of time investigating opportunities for new job ladders in child care, given the high turnover among child care workers and the absence of wage mobility for the workers who stayed. However, in California the industry's economics were such that employers, faced with small profit margins and an inelastic price structure, had little incentive or ability to create new positions that offered higher pay.

Still, even in child care a few projects got off the ground, by which training was linked to new promotional opportunities for low-paid child

Table 7.1 Purposes and Results of CAHF Skills Upgrading

Job category	Duties and characteristics	Career ladder pilot/model
Senior nursing assistant (SNA)	<ul style="list-style-type: none">• Stable, longer-service CNAs recognized with \$1/hr. wage differential, special duties.• SNAs serve as peer leaders and mentors for newer CNAs.• SNAs relieve some of the workload from licensed nurses.	<p>In 2002, a pilot SNA career ladder project with Life Care Centers trains 140 SNAs, achieving lower turnover and reduced need for temporary registry workers. A second multiemployer SNA training program conducted by Santa Monica College reports similar results.</p> <p>In 2003, CAHF allocates funds to 70 member facilities to train 250 SNAs.</p>
Restorative nursing assistant (RNA)	<ul style="list-style-type: none">• CAHF provides CNAs with additional training and \$0.75/hr. wage increase.• Employers and residents benefit from improved restorative care services.• CAHF provides industry-recognized certification.	<p>In 2003, CAHF member facilities train and upgrade 124 CNAs to be RNAs in a first phase of RNA training.</p> <p>By late 2003, additional RNA training is to be fully funded by member facilities, including Country Villa Health Care and Life Care.</p>
Certified memory impairment specialist (CMIS)	<ul style="list-style-type: none">• Training focuses on providing improved care for residents and on delaying the onset of Alzheimer's.• CNAs who complete course receive \$0.25/hr. wage increase.	<p>In 2003, CAHF member facilities train 300 CMIS workers statewide.</p>

SOURCE: Author's compilation of unpublished material from California Association of Health Facilities.

care workers. The San Bernardino Workforce Investment Board had been training low-income individuals to become entry child care workers through a 12-week class at San Bernardino Valley College. It added a child care career ladder by which employers who agreed to recognize promotional positions, including associate teacher and master teacher, received funds to pay for training and the workers' wages during training (Marr 2003). The North Bay Employment Connection tried a similar link of training funds to promotional child care positions.¹⁵ The largest effort was by California's Children and Families Commission, administrator of the state's tobacco tax fund. In an attempt to create higher-paid paraprofessional positions, the commission committed \$18 million a year for challenge grants to counties. To receive funds, the counties agreed to augment the wages of child care workers who completed additional course work at community colleges.¹⁶

In the hospitality industry sector, the interface of training and job structure took the form of increasing horizontal mobility. Among the larger, mainly unionized hotels, the job structure is closely set by the collective bargaining agreement between the hotel and the union, and there is little flexibility for the employer to create new positions.¹⁷ Among the smaller, mainly nonunion hotels, the divisions, such as food service and front desk, are not large enough to accommodate a variety of positions. However, most lower-level hotel workers, in both union and nonunion facilities, can increase their hours as they cross-train, and as hotels increase flexibility to move among divisions.

This is what occurred after September 11, 2001, and the resultant downturn in the hospitality sector in California. The lower-level workers in hotels saw their hours cut sharply. The employers, unions, and workforce practitioners shifted career ladder efforts away from vertical mobility and toward expanding the structure of horizontal mobility. The government funded training for workers in vocational English language; it also funded opportunities for work hours in various hotel divisions. The employers and unions relaxed policies blocking movement among divisions.

PART 3: THE PROFESSIONALIZATION OF THE LOW-WAGE WORKFORCE

At the core of any sustainable system will be a change in how the low-wage workforce is viewed. In a sustainable system, low-wage workers do not view themselves, nor are they viewed by employers, as an unstable, transitory workforce, interchangeable and without skills. Rather, they are part of a profession. Like other professionals, they perform their tasks with an emphasis on quality and craft. In this regard, career ladders are not only about improving the wages of low-wage workers; they are equally about instilling a high quality of service in nursing homes, child care centers, and hotels.

Increased mobility and career ladder structures contribute to this professionalization. Advancement opportunities and accompanying training are a motivation for a worker not only to stay in a job but to perform tasks with effort and care. Further, professionalization requires an understanding of the craft inherent in all jobs. This includes the craft in jobs like CNA or child care worker, often described as low skilled. It is this craft that the better training organizations recognize and promote.

The Culinary Training Academy

The Culinary Training Academy in Las Vegas was established in 1992 by the Las Vegas-area HERE union, Culinary Union Local 226, and by the major Las Vegas hotels. By 2002, it had an annual budget of over \$2 million and was training more than 2,000 workers a year. Around 60 percent of the trainees were new workers in the industry, and 40 percent were incumbent workers.¹⁸

The academy promotes artisanship and craft in the entry-level hospitality jobs of room attendant and steward as much as it aims to help the workers in these jobs advance. Its ethos of craft is similar to that expressed by the waitress who said in Studs Terkel's *Working* (1972, p. xii), "When I put the plate down, you don't hear a sound. When I pick up a glass, I want it to be just right. When someone says, 'How come you're just a waitress?' I say, 'Don't you think you deserve being served by me?'"

Steven Horsford, president of the Culinary Training Academy, grew up in the industry—his mother worked in a casino. “Some people see the jobs as steward or porter or housekeeper as unskilled,” he says, “but people who know the industry know that these jobs require a craftsmanship, and that’s what we promote at the academy.”¹⁹

The craft of housekeeping

The academy is an example of an organization that fosters both craft and mobility. It concentrates its training on housekeepers, stewards and porters, and food and beverage workers. The housekeeper training is 50 hours in length and results in an academy certification. Though no trainees are paid during training, they do have incentive. As Horsford notes, “The hotels generally require experience, especially the better hotels. So, if someone without experience applies, the hotels often will refer them to the culinary academy, or if someone goes to the union to apply, he or she will be referred to the academy. Since we work closely with the large hotels, completion of the housekeeping training almost always results in a job.”²⁰

The housekeeper training is held in five apartments at a west Las Vegas public housing site. The five apartments have been converted to look like high-priced hotel rooms, with dark wood furniture, chrome, and mirrors. The instructors are Bernice Thomas, who worked first as a housekeeper and then as assistant executive housekeeper at the Dunes for more than 20 years, and Hattie Canty, a longtime housekeeping supervisor at the Thunderbird.

Both Thomas and Canty speak of the craft of housekeeping: making beds with the proper corners, correctly dusting the furniture, safely handling cleaning materials. “Each hotel has a different way of making a bed, and the trainees learn these different ways,” Thomas explains as a trainee, a 35-year-old woman, is preparing a bed. “The hotels also are very strict about coming to work on time, so we emphasize that. I had a trainee come in 15 minutes late today, and he said that he overslept, so I sent him home and told him to come back tomorrow because at the hotels you have to be on time.”²¹

Wages and acquiring the requisite skills

The academy's emphasis on craft is bolstered by the relatively high wages paid to unionized housekeepers and food service workers in Las Vegas. Housekeepers in Las Vegas can earn around \$24,000 a year, which goes much further in Las Vegas than in other major cities. As Horsford notes, "John Wilhelm, the international head of the HERE union, who got his start in Las Vegas, says that Las Vegas is the last place a maid can own a home and drive a nice car."²²

For the food and beverage workers—both aspiring and incumbent—training is held at a former casino and Chinese restaurant at Seventh and Fremont, near downtown. The training is part of a restaurant and catering business that is managed by the union. New workers are trained as cook's helpers, and new and incumbent workers are trained as prep cooks and fry cooks.

The cook's helper is the entry-level position in food service, and pay starts at \$11.07 an hour with full benefits. The training is for six weeks, or 210 hours. As in housekeeping, trainees receive no pay during training. Given the demand for cook's helpers in Las Vegas hotels, a job placement is almost guaranteed.

The prep cook and fry cook trainings are 400 hours and are aimed at incumbent workers in the cook's helper and other entry-level positions as well as at new workers. Through the union, cook's helpers in the hotels are encouraged to take the upgrade training, and hundreds do so on their own time.

Indeed, in all job categories incumbent workers are encouraged to obtain additional skills. On a morning in December 2002, four workers from Caesar's Palace were at the academy. "These workers previously worked at one of the hotel restaurants, the Magical Forest," Horsford says. "But it closed, and the hotel is now converting it from a buffet-style restaurant to a fine dining restaurant, so these workers are training with us to be competitive in the new fine dining restaurant."²³ In other words, no jobs are guaranteed—the workers will have to acquire the requisite skills if they want to apply for a job at the new restaurant.

The Culinary Training Academy receives government training funds from time to time, but it is not dependent on government funds. It has its own joint union-management trust fund, financed by employers, who contribute three cents for each hour worked by an employee.

The Paraprofessional Healthcare Institute

A second example of how training organizations promote craft as well as mobility in low-wage jobs can be found in the training of the Paraprofessional Healthcare Institute (PHI). PHI is the policy arm of Cooperative Home Care Associates, a worker-owned cooperative of more than 500 home health workers, in operation since 1985 and headquartered in the South Bronx. PHI works with local and state governments and foundations on practices to improve both the in-home health care and nursing home workforces.²⁴

In a 2001 article for *Generations* magazine, “Direct-Care Health Workers: You Get What You Pay For,” Steve Dawson, PHI’s president, and Rick Surpin, president of Independence Care System, maintain that “only by improving the quality of direct-care positions relative to the rest of the labor market can health care employers hope to recruit and then retain a stable paraprofessional staff.” Dawson and Surpin (2001a) list five job characteristics that will stabilize the paraprofessional workforce. “A family wage” and “health insurance and benefits” are the first two characteristics, but the other three are nonmonetary: “opportunities for advancement and professional development,” “higher training standards,” and “workplace responsibility.”²⁵

“A lot of women who go into long-term care really like the work,” Dawson said in my 2001 interview with him. “It’s true that many don’t have a lot of other options, but they like the one-to-one care, so money is not the only thing. Work issues are a big part of job satisfaction and stability. Like other workers, CNAs want autonomy and recognition in their jobs, and opportunities to advance.”

Bridging the gulf in education and skills

Dawson and PHI are involved in several career ladder projects that create levels of increasing pay and responsibility within the CNA category.²⁶ In these projects (some of which involve facilities owned by religious institutions) the CNA job is presented as a way of providing service to others. To be a CNA is to be part of a profession that serves others and that undertakes tasks with care and quality.²⁷

An additional note relating to sustainability might be added on the extent of mobility paths, particularly on whether there are opportunities for low-wage workers to advance beyond initial, and relatively limited,

gains. In the long-term health care field, career ladder efforts in California and elsewhere have succeeded in creating additional paraprofessional positions beyond CNA, which increase wages by a few dollars an hour. Beyond these paraprofessional positions, though, it is a big step in education and skills to the next step of LVN, which is not realistic for most direct care workers. Similarly, in the acute care settings, career ladder programs have taken low-wage workers to paraprofessional positions such as pharmacy technician and laboratory technician. But beyond these paraprofessional positions lies a gulf in terms of the education and skills needed to become a pharmacist or a laboratory scientist.

Up to now, career ladder projects have not bridged the gap in many subsectors between paraprofessional positions and higher-skilled, higher-paid jobs. Yet just as we saw in Chapter 4 that there is no set number of jobs in the economy—that the number of jobs will increase as the skills and motivation of workers increase—so too there is no set number of mobility paths. Only as we build sustainable, sector-based career ladder systems will we be able to determine the extent to which the workforce system can increase mobility across the economy.

Notes

1. Professionalization of the low-wage workforce is an important concept in how we address low-wage jobs, though it is also a difficult concept to define in a sentence. Many of the low-wage workforces today—in nursing homes, child care centers, retail stores, and restaurants—are characterized both by high turnover and, at times, by low quality of service. The jobs are seen as throwaway jobs that not only pay low wages but have little status and are not perceived by the workers who hold them (or by those whom these workers interact with) as being real careers. We would all benefit if these jobs were regarded as worthy and important and the workers approached them with an emphasis on quality of service and long-term commitment, as do workers in what we regard as the professions, such as law, medicine, and civil service. Clearly, raising pay in these jobs would go a long way toward achieving these goals. However, other characteristics of the jobs are important, particularly the opportunities for advancement. This is why professionalization is so tied to mobility.
2. David Gruber, interview with the author, January 2005.
3. Nancy Mills, interview with the author, November 2004.
4. Ed Chiera, interview with the author, May 2004.
5. There are examples today of training trust funds that have established ongoing partnerships to finance skills upgrading with one or more of the potential career

ladder design and funding partners: community colleges, employers, and private or public workforce funds. These sector-based partnerships are distinguished not only by the large number of workers in forms of training and the combination of funders, but also by how the partnerships have institutionalized mobility more fully into the job structure. Examples include the Culinary Union Training Center in Las Vegas, the Garment Industry Development Corporation in New York, the Wisconsin Regional Training Partnership in Greater Milwaukee, and the two large health care trust funds, Hospital and Health Care Workers Union 1199C in Philadelphia and SEIU Local 1199 in New York.

6. "Currently the nurses are the supervisors of CNAs, and many nurses don't know how to be supervisors," Dawson says. "They can be autocratic, and this style will drive CNAs from their jobs. An experienced SNA can build teamwork among CNAs and help CNAs address the job's physical and psychological challenges." Interview with the author, May 3, 2001, New York.
7. EDD staff Anita McDaniel and Glen Varner contacted California's major nursing home employers, including Beverly, Mariner, SunBridge, Life Care Centers, and Country Villa, to sell the SNA concept. "We met with management at each of the major nursing home employers and described how the SNA could help them reduce turnover, both by giving their CNAs a chance to move up and [by] having an experienced CNA in supervision," Varner recalled in a 2002 interview with the author.
8. California Employment Training Panel, "One-Step Agreement for Life Care Center of Escondido," meeting of the panel, March 27, 2002, Sacramento, California.
9. EDD's Anita McDaniel attended a ceremony for the first SNA class and sent the following report: "Five SNAs completed the course and were pinned. On average, they have 8.5 years of service in nursing, and most of them have spent their careers at Life Care. Their participation has stirred interest with other long-term employees. Glen and I asked for feedback on the course itself from participants. All had positive remarks and recommended that other staff, particularly floor nurses, should participate in the process. "The Executive Director, Tom Skiba, was exceptionally pleased with the outcome. He indicated that the Career Ladder concept already has yielded benefits in recruitment and retention. Just weeks before it advertised the availability of career ladders, Life Care was cited for staffing shortages by the Department of Health Services. However, after the advertisement, the employer had such an influx of applications that [Life Care] has filled all of [Skiba's] vacancies, and has surplus applications. Further, since it was able to fill those positions, its daily overtime cost has been cut by nearly [67] percent, going from 33.0 hours per day to just 12 hours per day. Life Care is saving a lot of money by not using any registry staff." Anita McDaniel, e-mail message to the author titled "Life Care Center SNA Recognition Ceremony," June 25, 2002.
10. CNAs at Life Care after 90 days on the job earned between \$9.70 and \$10.95 an hour. The SNA range was \$10.64–\$11.70 an hour to start, rising to \$12.05 after one year.
11. Ken Merchant, "Memorandum of Staff Recommendation for CNA Career Lad-

- ders Implementation and Training Slot Allocation,” January 7, 2003.
12. EDD and CAHF hoped for a greater wage increase but found employers unwilling to pay more, given the existing state reimbursement structure. Merchant, discussion with the author, 2003.
13. The 70 facilities received \$640 per SNA for training: \$600 to reimburse the employer for the cost of registry and the cost of overtime required to replace the trainee during training, and up to \$40 to reimburse the employer for the cost of providing manuals and training materials. Employers agreed to pay the CNAs their regular wages while they attended the 80 hours of training. Merchant, discussion with the author, 2003.
14. The health care unions in California have been divided in their views on career ladders. While some of their members support the approach, other unionists take the position that the answer to low-wage CNAs is not job ladders but raising the wages of all CNAs. Thus, they believe that their efforts should go into raising wages for CNAs rather than creating new advanced positions.
15. North Bay Employment Connection (NBEC), “NBEC Career Ladder Project Concept Paper,” 2002.
16. Jane Henderson and Michael Bernick, memo to local WIB administrators titled “Second Round of Funds Available for Job Retention and Advancement Incentives for Child Care Providers,” May 18, 2001. Child care has been a focus of career ladders throughout the nation, but the dysfunctional industry economics in California are present elsewhere. The U.S. Department of Labor tried to establish registered apprenticeships for child care workers in more than 30 states, including California. In California, child care workers could obtain a child development associate certification by completing 2,000 hours of supervised on-the-job training and 108 hours of supplemental instruction. With this certification, they would receive higher wages from employers who needed a skilled workforce and recognized the apprenticeship. Employers, though, had little incentive to recognize the apprenticeship. In contrast to the highly unionized building-trades sector, where apprenticeships were widely recognized and were required for public sector jobs, in the thinly unionized child care sector employers were under no such requirement. Throughout California, employers agreed that the wages paid, \$16,000–\$30,000 for child care workers, made retention difficult, and that additional training in preschool education and development would improve child care quality. But even if employers had funds to cover training costs, and even if workers gained additional skills, employers did not believe they could increase child care worker pay, given the unwillingness or inability of parents to pay more for the service. It is important to note that there is an informal job ladder that exists for child care workers today, by which they move into the public education system as teacher’s aides. The teacher’s aide position pays slightly higher wages, starting at \$12–\$13 an hour, with benefits, at most urban school districts in California. For a teacher’s aide there is upward movement possible to the position of teacher, though this requires a college degree. This informal job ladder does not work badly, though it takes persons out of the child care field rather than strengthens the workforce.

17. For example, among bartenders in San Francisco union hotels, there is the “regular bartender,” the “service bartender,” the “head bartender,” the “banquet bartender,” the “bar helper,” and the “beer tender.” Information on the structure of jobs under the collective bargaining agreement is from Marilyn Sweet and John Carrese, memorandum titled “Career Ladders Grant (A Plan to Institutionalize an Education Culture in the Hospitality Industry),” January 3, 2001; and Labor Market Information Division, unpublished report to the governor’s office titled, “Career Ladders in the Hospitality Industry,” December 2001.
18. Steven Horsford, interview with the author, December 5, 2002, Las Vegas.
19. Horsford, interview.
20. Horsford, interview.
21. Bernice Thomas, discussion with the author during site visit, December 5, 2002.
22. Horsford, follow-up interview with the author, December 11, 2002.
23. The hospitality workforce in Las Vegas, as in California, has turned in the past decade from one with a high representation of African Americans at most positions to one dominated by immigrant Latinos. Thus, VESL training has become a part of all of the academy’s programs.
24. The cooperative recruits primarily unemployed women, the majority on welfare, and trains and hires them to be in-home health workers. It pays workers wages at the higher end of the in-home health care scale in New York—around \$6.50 an hour to start, advancing to \$8.00 an hour—with health care and retirement benefits.
25. For other publications on CNA professionalization, see Dawson and Surpin (2001b) and Paraprofessional Healthcare Institute (PHI) (2001).
26. In Memphis, a Catholic-sponsored nursing home created three CNA levels (with training in patient specializations and pay increases of \$0.50–\$1.50 an hour). The home’s administrator claims that CNA turnover has decreased from nearly 100 percent annually to 60 percent. In Philadelphia, Home Care Associates provides additional training for CNAs who finish six months of employment with positive supervisory evaluations. See Catholic Health Association of the United States (CHA) and Paraprofessional Healthcare Institute (PHI) (2003).
27. In *Business as a Calling: Work and the Examined Life*, Catholic theologian Michael Novak (1996) writes of a career in business as a spiritual mission and a way of service to others. To Novak this means undertaking tasks with care and quality—not taking shortcuts. Novak is not focused on low-wage workers, but the principles of craft and service are the same.

8

Principle Six: Welfare Reform

Build on the Success of Welfare Reform with Targeted Postemployment Strategies

In California, the drop in the welfare rolls has been dramatic—over 40 percent in the eight years from 1995 to 2003. Moreover, studies tracking welfare leavers in California during this time have shown relatively high employment rates, as well as gains in household income.

Part 1 of this chapter examines the impacts of welfare reform in California: the many positive impacts, as well as the negative impacts that present the next challenge. Though the great majority of welfare leavers in California find jobs, their attachment to and hold on these jobs is tenuous. Further, for a significant number, their wages do not put them very far above the poverty line.

Part 2 examines government-funded efforts to increase the retention and even the wages of former welfare recipients. Among these are projects that involve intensive case management, computer-based learning from home, family learning centers, and more traditional classroom training at community colleges. From these efforts we can identify guidelines for structuring postemployment services to maximize the reach of public and private funds and to build on the employment successes of welfare recipients over time.

PART 1: HOW THE 1996 WELFARE REFORM CHANGED WELFARE IN CALIFORNIA

Figure 8.1 shows both the number of households on the welfare rolls in California and the state unemployment rate for the 31-year period from 1974 to 2005. The welfare rolls reached a high of more than 900,000 cases by July 1996 before starting a steady drop over the next eight years to fewer than 500,000 cases by July 2004.¹

Figure 8.1 AFDC/CalWORKs Program Monthly Caseload and California Unemployment Rate (July 1974–July 2005)

SOURCE: Unpublished data from California Department of Social Services.

The strong economy of the late 1990s was a factor in this welfare reduction. However, the economy alone cannot explain the continuation of the decline after 2000. While the state's unemployment rate did go down for most of the period from mid-1995 through early 2001, welfare rolls continued to decline in California even as unemployment was climbing from 2001 through 2003.

Further, in the 1980s, a strong economy did not lead to reduced welfare rolls. The state's unemployment rate fell from 11 percent in July 1983 to under 5 percent in July 1990. During the same time, the welfare rolls increased continually, from more than 500,000 in July 1983 to more than 650,000 in July 1990.

More than the economy, the Personal Responsibility and Work Opportunity Reconciliation Act, the 1996 federal welfare reform, altered the dynamics of welfare in California—not only reducing the rolls but also increasing employment and earnings of welfare recipients. Implemented through the establishment of CalWORKs in January 1998, welfare reform brought dramatic changes to the state's welfare system, including the requirement that most adult welfare recipients be engaged in work or work-search activities, and the establishment of time limits.

More importantly, welfare reform altered the orientation of county welfare departments and welfare caseworkers throughout California. Whereas previously welfare caseworkers looked at welfare recipients and asked, “How can we take care of these people?” after the implementation of CalWORKs the caseworkers began to ask, “How can we build on the strengths these people possess and help them become self-sufficient?”

In Los Angeles County, elected and appointed officials for years had opposed work requirements and work-first approaches. Yet by 1999 the county welfare department had adopted the slogan, “A job, a better job, a career,” indicating a commitment to immediate work placements as well as mobility. Similarly, San Francisco County, long an opponent of any welfare restrictions, has adopted aggressive work placement goals for welfare caseworkers. Bruce Wagstaff is the longtime manager of welfare programs at the state’s Department of Social Services. As he puts it, “Welfare staff went from facilitators of public assistance to job developers and employment facilitators.”²

Several studies have been commissioned since 1998 by California government and private foundations to study welfare leavers.³ These studies show that beyond the drop in welfare rolls, the past few years have seen welfare leavers returning to welfare at lower rates than in the past and achieving higher employment rates and gains in household income. Four of the main findings of these reports are summarized below.

1. Welfare leavers under CalWORKs show lower rates of return to welfare than welfare leavers in the past. In 2000, researchers Charles Lieberman and David Mancuso of the SPHERE Institute tracked welfare recipients who had left CalWORKs in 1998 and compared their welfare rates of return (recidivism) to the rates of return of welfare leavers in two previous years: 1988, when the unemployment rate was running near 5 percent, and 1993, when the unemployment rate had risen to over 9 percent.

Figure 8.2 tracks return rates of single-parent families during the 18 months after leaving. Only 17 percent of the 1998 welfare leavers returned to aid within a year, compared to 27 percent of 1993 leavers and 24 percent of 1988 leavers.⁴

Figure 8.2 One-Parent Leavers: Percentage on Cash Aid by Month from Exit

NOTE: Statistics start with second month after exit because it is common for welfare recipients to be removed administratively for a month merely for not filing the proper forms; thus, people had to be off the rolls for two full months to be counted as a leaver. SOURCE: Unpublished data from Manpower Demonstration Research Corporation (MDRC), based on calculations from California administrative records.

2. Welfare leavers under CalWORKs achieve increased household earnings and income. A second, larger study of welfare leavers was conducted by a team with the Public Policy Institute of California (PPIC), led by Stanford economists Thomas MaCurdy, Grecia Marrufo, and Margaret O’Brien-Strain. This study, titled *What Happens to Families When They Leave Welfare*, used EDD’s base wage file and other administrative data, as well as telephone surveys, to track 1,400 former welfare recipients in six Bay Area counties from 5 to 16 months after they departed the rolls. The study looked at several measures, including both household income and employment of welfare leavers.

Table 8.1 shows the average monthly earnings of welfare leavers. For one-parent families—the focus of welfare reform in California—the mean earnings are around \$1,800 in the first surveys at 5–10 months, climbing to \$2,160 in the second surveys at 11–16 months.

The PPIC researchers also examined monthly income (earnings plus other income) and reported average monthly income of \$2,411 for one-

parent leavers. This was sufficient to bring 71 percent of the one-parent leavers above the poverty line. The average monthly income of leavers in two-parent households, \$2,275, raised 58 percent of them above the poverty line (MaCurdy, Marrufo, and O'Brien-Strain 2003, p. vii).

3. Welfare leavers under CalWORKs show high employment levels. Table 8.1 also shows self-reported employment levels among welfare leavers. In the PPIC telephone surveys, 90 percent of the one-parent households and 93 percent of the two-parent households reported an employed adult at 11–16 months after leaving. A separate PPIC study of the EDD base wage file yielded employed percentages of 77 percent for one-parent families and 59 percent for two-parent families (MaCurdy, Marrufo, and O'Brien-Strain 2003, p. vii).

Both of these sets of employment numbers are above the employment rates found by other studies nationwide. The Manpower Demonstration Research Corporation (MDRC) reviewed leaver surveys from several states and concluded that 70 percent of leavers worked at some point in the year following their exit from welfare, though only 31–47 percent worked in all four quarters of the year (Bloom et al. 2002,

Table 8.1 Family Earnings and Employment of CalWORKs Leavers from 2003 Survey

Earnings and employment	Time after leaving CalWORKs			
	One parent		Two parents	
	5–10 months	11–16 months	5–10 months	11–16 months
Percentage working	88	90	94	93
Distribution of monthly earnings (\$)				
Mean	1,799	2,160	1,947	2,160
Percentiles				
10th	600	750	775	50
25th	1,000	1,100	1,200	1,150
50th	1,500	1,600	1,700	1,800
75th	2,200	2,500	2,700	2,750
90th	3,500	3,400	3,200	4,200

SOURCE: MaCurdy, Marrufo, and O'Brien-Strain (2003).

p. 3). The Urban Institute reported that within two years of leaving welfare, slightly less than 50 percent of welfare leavers were employed (with another 15 percent reporting either having worked recently or having a spouse employed). As MaCurdy, Marrufo, and O'Brien-Strain (2003) note, the various studies are difficult to compare as they employ different definitions of welfare leavers and also different definitions of employment. However, even the lower figures show employment to be common among leaver households and well above employment rates among welfare recipients.⁵

In Fiscal Year 1995 (July 1994–June 1995), the state's Department of Social Services reported that 85,000 welfare recipients found employment. In Fiscal Year 1999, following welfare reform, that number jumped to 142,000. The economic gains of former welfare recipients cannot be overemphasized, given that even in early 2004 critics of welfare reform in California continued to deny its positive impacts. Welfare reform did not end poverty. But it did reorient a broken system of dependency in California. In doing so it reoriented welfare caseworkers to see the strengths, not merely the weaknesses, of welfare recipients.

4. Limits of CalWORKs: Many welfare leavers, even when employed, are not far above the poverty line. The California studies, while identifying the many positive impacts of welfare reform, have also identified its limits: many recent welfare leavers, even those employed, find it difficult to rise very far above the poverty line, and a segment of the welfare leavers remains well below the poverty line. The PPIC study found that only 29 percent of the one-parent leavers that were still off welfare after 11 months (and 20 percent of the two-parent leavers) had income sufficient to be above the low-income guidelines for Medi-Cal, and that 11 percent of these longer-term leavers had an income below 70 percent of the poverty threshold. Income gains between the first and second PPIC survey periods were modest, averaging \$60–\$70 a month. The SPHERE study found that one in three of the 1998 leavers had an income below the poverty level a year after exit, and that 14 percent had an income below 70 percent of the poverty threshold.

Moreover, several state studies have found that welfare recipients have a tenuous hold on jobs and considerable job turnover. These studies have found that between one-third and one-half of welfare recipients placed in a job no longer hold it after one year. Though the majority,

after losing a job, will go on to other jobs, the instability is healthy for neither employee nor employer. A recent MDRC summary of these state studies notes that while more than 70 percent of leavers work after they leave welfare, less than 50 percent show earnings in all four quarters of the year.

PART 2: DESIGNING POSTEMPLOYMENT SERVICES TO INCREASE JOB RETENTION AND SKILLS

“Are there ways of increasing the stability of employment and even the wages of former welfare recipients?”

Bob Marr posed this question at one of EDD’s first meetings with the department’s workforce development branch in May 1999. Our welfare program at EDD from 1999 through 2004 sought to build on the successes of welfare reform, maintaining the job gains of welfare recipients while trying to improve skills and wages.

In designing a system of postemployment services for welfare recipients, we found it helpful to build on the findings from three previous training initiatives for welfare recipients:

- 1) National Supported Work Demonstration (“Supported Work”)
- 2) National Evaluation of Welfare-to-Work Strategies (NEWWS)
- 3) Post-Employment Services Demonstration (PESD)

These initiatives were distinguished by the large number of participants, the close tracking of employment and wages, and the use of a control group of similarly situated participants. Their chief findings are summarized below.

Supported Work. The four-volume set on the National Supported Work Demonstration is the first research study I placed on my bookshelves in Sacramento in April 1999 (having carried it around in various offices for 15 years), for its findings are still fresh and relevant. Operating between March 1975 and December 1978, Supported Work focused on job placement and retention of the groups found by practitioners at the time to be hardest to reach: long-term welfare recipients (those on AFDC for 30 of the last 36 months), ex-offenders, ex-addicts (nearly

all heroin addicts), and youth (primarily youth with a criminal record). Among the Supported Work findings: the one group that showed major gains was the long-term welfare recipients. The welfare population, especially women between 36 and 44 at the time of enrollment, proved good candidates for job training assistance, responding positively to this assistance in ways that the other groups did not.

NEWS. The National Evaluation of Welfare-to-Work Strategies also showed the particular success of welfare recipients in job training programs, as well as elements of effective program design. NEWS built on the Family Support Act of 1988 (FSA), the predecessor to the welfare reform of 1996. FSA set work search requirements for most welfare recipients and directed states to channel additional resources to employment and employability. NEWS collected data from 11 mandatory welfare-to-work programs, operating in seven sites, and collected data on more than 40,000 single-parent families (Hamilton 2002). The welfare recipients who participated in job training showed higher employment rates than the control group as well as higher earnings and lower welfare receipt rates.

NEWS addresses a central debate among practitioners: whether welfare recipients gain more from training programs that aim to get persons in jobs rapidly or whether they gain more from training programs that emphasize longer-term education, such as adult education and community college classes. Is work experience the best means of gaining skills and mobility in the labor force? Or, are welfare recipients better off improving their education and skills before trying to get jobs?

The surprising NEWS findings: even over a five-year period, the direct placement approach resulted in higher employment and earnings than the education approach. Three of the four employment-focused programs produced larger gains in earnings over the five years than did any of the seven education-focused programs. The employment-focused programs also led to a greater reduction in welfare payments.⁶

PESD. The Post-Employment Services Demonstration measured the impact of providing postemployment services, primarily case management services, to assist welfare recipients to better retain jobs or regain employment quickly after a job loss. Between Spring 1994 and Fall 1996, four sites (Chicago; Portland, Oregon; Riverside, California;

and San Antonio) operated postemployment projects, enrolling welfare recipients who recently had found jobs. Counselors contacted these welfare recipients and provided individual counseling in dealing with job-related problems and in referrals for health care or child care providers, benefit eligibility, or money management. More than 4,500 former or ongoing welfare recipients were enrolled among the four sites, with one-third to one-half at each site receiving program services and the others serving as the control group.

Overall, program participants did not show either significantly increased earnings or more steady employment than the control group. Among the control group, employment was fairly high, with 40 percent of the control group continuously employed in the same job during the first year after enrollment and another nearly 20 percent continuously employed even though they had switched jobs. Only 21 percent had stopped working after losing their first job.

New Postemployment Service Projects

In designing postemployment services, we cast a wide net, asking for proposals from private sector companies, local WIBs, and community-based groups. The project ideas we received varied widely in approach and cost. Some of the ideas we rejected as too expensive; others as piling services on to services without requiring investment by the recipients. Still others we rejected because they lacked clear performance outcomes.⁷ Between 1999 and 2004, we did fund 24 projects involving retention and skills upgrading for welfare recipients.

What did we learn from these projects? Once more let me bring in Bob Marr, who joined me in compiling the following guidelines for structuring postemployment services. Bob studied our projects and other recent postemployment projects throughout the nation. The box on the next two pages summarizes the top five guidelines we culled from those projects.

To illustrate these guidelines, three projects are discussed in greater detail: 1) EDD's "Welfare-to-Work Job Retention and Skills Upgrading," 2) Riverside County's "Employment Retention and Advancement," and 3) Goodwill's "Go the Distance."

Bob Marr's Guidelines in Structuring Postemployment Services for Welfare Recipients

1. Retention is a top priority. As the Post-Employment Retention Demonstration (PESD) showed, many welfare recipients are staying in jobs without government post-employment services. Still, retention is a challenge for 30–40 percent of welfare recipients placed in jobs, and it is the top priority of post-employment services.

2. It's worth continuing to test whether retention can be increased by a low-cost, targeted case management focused on not losing a job or on rapid reemployment. Although PESD found little difference when case management services were present, many practitioners in California believe that case management has a role in the first year or two for welfare recipients that lack significant labor force participation. It's worth continuing to test whether this is the case. With retention services not needed by many welfare recipients, case workers might carry large case-loads yet focus their efforts on that small segment that can benefit from assistance in keeping jobs or in rapidly getting another job.

3. Skills upgrading is difficult given the family responsibilities and, often, the low basic skills of most welfare recipients, but take-up rates when skills upgrading is offered shows a willingness to participate among employed welfare recipients. When skills upgrading has been offered in California projects, 30–40 percent of employed welfare recipients have taken up the training opportunities—a higher percentage than project administrators expected. While skills upgrading should not be pushed on all participants, welfare recipients might be made aware of low-cost opportunities that they can pursue while employed.

4. Experiences with skills upgrading so far suggest that it works best when it builds on employment, is individually based, and takes advantage of low-cost community college or adult education classes. The current Employment Retention and Advancement demonstration operating in California and through-

out the nation will help us to better understand skills upgrading for employed welfare recipients. Our experiences so far suggest that the type of training—literacy skills or vocational skills—will differ among participants, as will the amount of time a trainee can commit to training. Except in rare cases, training should not substitute for employment and should take advantage of low-cost community college or adult education classes.

5. To achieve any sort of scale in post-employment services, welfare departments and related government-based employment services need to reorient their operations. Since the 1996 welfare reform, welfare departments have effectively moved from facilitating income maintenance to facilitating employment. The next phase will be to institutionalize postemployment as part of the welfare staff mission, as is being done in Riverside County. Postemployment services will never reach a significant scale if they are left only to nonprofits or community-based agencies.

1. EDD's Welfare-to-Work Job Retention and Skills Upgrading

Congratulations on completing the CalWORKs job club and on getting your new job! At this time, I would like to invite you to participate in EDD's new Job Retention and Skills Upgrade Program. We want to make sure you have what you need to keep your job, improve your skills, and later [get] promote[d] to a better job, either where you are now working or elsewhere. If you are interested, please call me, Dollie Hamilton, Case Manager, Employment Development Department.

This announcement went out in December 1999 to former CalWORKs participants in the central Sacramento area who had found employment. Sacramento was one of two locations in the state—Oakland was the other—to test EDD's Job Retention and Skills Upgrading, a pilot project to reduce job turnover and increase job skills among former welfare recipients. The project started in October 1999 with two employment counselors in Oakland and in March 2000 added two in Sacramento.

For years, both before and after CalWORKs, EDD's Job Service branch has provided job preparation and placement services to welfare recipients. These services, geared for unemployed welfare recipients, usually ended within 30–90 days of job placement. But in Fall 1999, the Job Service proposed that it provide longer-term services—for at least two years—to consolidate and build on employment gains under CalWORKs.

As the Job Service's proposal explains, "As EDD staff we see welfare recipients and former welfare recipients often in unstable employment situations. We will use case management techniques to intervene to resolve employment-related problems and non-employment-related problems that threaten loss of job. If a welfare recipient loses a job, we will work with them to immediately find another job. We will work with welfare recipients to build their skills, with emphasis on lower-cost community college training."⁸

Dollie Hamilton is one of the case managers in Sacramento. Her flyer, sent to 200 former welfare recipients, brings a higher-than-expected result: more than 50 people contact her, of whom around two-thirds enroll. "They want more money and know that they need greater skills," Hamilton says. The participants are nearly all single parents in jobs paying less than \$12 an hour.⁹

Hamilton or another counselor meets with each participant and writes a career development plan, identifying the skills, background, and interests of the participant, and training options for that person. The counselor identifies resources for skills upgrading, especially the low-cost training options at the community colleges and adult education centers. Small amounts of money—under \$500 in most cases—are available for transportation or child care to help out a participant who can show a need for training.

In Oakland, the two counselors find themselves focusing on job retention and reemployment; training is a secondary activity. October Vance is the Oakland site manager; a few months into the program she describes her first seven participants and their tenuous hold in the job world:

"Three would like to get new jobs as soon as possible: One has a very rude employer, one is working [as a] temporary, on call; and one would prefer a different type of work. One likes her job but wants to look for a different work [location] when she has completed six months

on the job, because she has a very long commute. The other three are happy so far with their jobs, but are still in probationary status and want to keep their options open.”¹⁰

In Sacramento, though, training is a central program element and all participants are encouraged to improve their skills. A third or so of the participants do pursue some form of training, ranging from a once-a-week GED or computer class to three-day-a-week community college classes for medical assistant or computer operator. Some examples of the individualized skills upgrade plans (with first initials of participants used) are as follows:

- 1) J. (dispatcher, earning \$5.75/hr.): “Take computer classes at adult education center and community college courses to become administrative assistant.”
- 2) H. (receptionist, \$7.00/hr.): “Enrolled in GED class, then take computer classes, prepare for office assistant with the State, mentor to retain job.”
- 3) W. (seasonal clerk, \$7.35/hr., on call): “Wants full-time job with the state, go to community college, take computer classes to enhance skills, mentor to retain full-time job.”
- 4) E. (chore worker, \$6.50/hr., 30 hrs./wk.): “Wants to be resident care nurse, needs to get CNA certificate, refer to adult education and City College, keep motivated and continue mentoring.”¹¹

The staff tracks participant employment and wages through regular telephone contacts and through use of EDD’s base wage file. Carol Grable, Sacramento site manager, keeps an eight-page chart listing each participant, his or her Social Security number, current job, and wage change since enrollment. Outcomes for a cross section of participants are described in the box on pp. 141–142; the histories depict a number of participants dropping out, despite the assistance, and others retaining their jobs or advancing in them.

When the federal government sharply reduces funds for EDD’s Job Service in 2003, the Job Retention and Skills Upgrading program, as one of the service’s nonmandated programs, is considered for closing. The following internal discussion ensues in October:¹²

Diego Haro, Job Service branch deputy director: “With limited staff resources, is this a better use of counseling staff than finding jobs

for unemployed welfare recipients or veterans or our other target unemployed groups?”

Carol Grable, Sacramento site manager: “We have tracked participant jobs, wages, and training. Of the 476 participants, 375 are employed and still in program contact as of October 2003, with 42 out of work. The remainder have moved or [have] lost contact. 216 have received a wage increase since enrollment, and nearly a third have enrolled in some form of training.”

Bob Marr, Director’s Office: “Evaluating these numbers is difficult since there is no control group. Remember, PESD found that around 60 percent of former welfare recipients in the control group maintained continuous or steady employment over at least a year, so it’s not as if without services the participants likely would be unemployed. At the same time, the program costs are small, with use being made of the community colleges, and the program staff believes the program is of value, which is important.”

Carol Grable: “I’ve been at EDD for over 30 years, and this is one of the best programs I’ve seen. We do keep expenditures low. About a third of the participants are taking classes, particularly to be medical technicians or assistants, or to learn computer programs, or to become certified for higher-paying security jobs. Nearly all of the training is done through the community college. The total cost of the supportive services for all 476 participants has been less than \$100,000.”

It is decided to keep the project going for another year, adding a control group of welfare recipients in Sacramento recently placed in jobs. To pay for the two counselors, Carol Grable agrees to cut two staff positions elsewhere. The community colleges and low-cost adult education classes become the training vehicles, and the few proprietary school enrollments end.

2. Riverside County’s Employment Retention and Advancement (ERA)

In 1999, Riverside County, active in several major welfare demonstrations in California over the past two decades, launches an extensive skills upgrading effort for employed welfare recipients. Chief among

**Participants in the Sacramento Welfare-to-Work Skills
Upgrading: Case Files on Enrollment Goals and Results¹³**

1. Bridget M. *Enrollment case file:* “A single parent, 25 years old with 4 children, is currently working 32 hours per week at K-Mart. Her hourly wage is \$6.75 an hour. Her current goal is to remain employed while she pursues her GED. A long-term goal is a career in the food service industry. She has catering and baking experience.”

Update, November 2003: “Obtained a GED, and in April 2001 moved to a full-time job with full benefits at Golden 1 Credit Union, earning \$11.77 an hour. Still employed by Golden 1 in November 2003.”

2. Natasha B. *Enrollment case file, May 2000:* “A 24-year-old single parent with 3 children. She is employed 30 hours per week at \$6.50 an hour as a shipping clerk. Her goal is permanent employment in the clerical field, but she has extremely limited computer skills and must take computer classes to gain clerical employment. Client’s hours of work preclude her from taking classes during the hours she has child care available.” A subsequent entry notes, “In early fall client found work as a bartender at \$12.50 an hour. She is excited about this job because work hours will enable her to take computer classes she needs while children are in school.”

Update, November 2003: “Left her bartending job to enroll in an office assistant/receptionist course at a proprietary school. Quit after a few weeks, obtained a job as a marketing representative at \$12/hr. and was laid off after 6 months. Currently, no contact with program.”

3. Sheila D. *Enrollment case file:* “A 31 year old single parent with 5 minor children. She had been working 30 hours per week at Mailboxes Etc. for 6 months and has just received a pay increase to \$7.50 an hour. She is interested in training because she does not feel she has the skills to advance further.”

Update, November 2003: “Worked at Mailboxes Etc. and progressed to \$10/hr. Left in March 2003, and 6 months later is not working. Ms. Hamilton, her counselor, writes, ‘Sheila was earning a good salary, but her hours were cut back to 25, and she did not receive a management position that she thought she deserved. I encouraged her to stay at Mailboxes and emphasized to her how fortunate she was to be at Mailboxes, but she left to get another job.’”

4. Nicole H. *Enrollment case file:* “Nicole was 16 years old when she got pregnant, dropped out of high school, and went on public assistance. Upon enrollment, she had a job as a seasonal clerk for the Department of Motor Vehicles earning \$6.00 an hour. She states an interest in obtaining her GED, and advancing in an administrative position.”

Update, November 2003: “Found a job shortly after enrolling in June 2000 at Airborne Express, earning \$9.00 per hour, and by November 2003 is still working at Airborne earning \$14.55/hr. and had completed her GED.”

the issues the county addresses: whether welfare recipients can upgrade their skills while employed, and whether the skills upgrading can translate to increased wages.

The Riverside County project is part of MDRC’s most recent welfare demonstration, the Employment Retention and Advancement (ERA) effort. As the MDRC researchers note in their ERA project description,

While a great deal is known about how to help welfare recipients prepare for and find jobs, there is little hard evidence about what works to promote employment retention and advancement . . . The Employment Retention and Advancement (ERA) evaluation is the most comprehensive attempt thus far to understand which program models are most effective in promoting stable employment and career progression for welfare recipients. (Bloom et al. 2002)

By Fall 2001, 15 ERA demonstration projects are operating in nine states: four focused on retention for “hard to employ” groups of welfare recipients, and the others focused on skills upgrading. Riverside is

one of the largest sites, with 3,600 welfare recipients enrolled between January 2001 and October 2003. To qualify, a welfare recipient must recently have found a job and be working at least 20 hours a week.

The welfare recipients in Riverside are randomly assigned to one of three approaches. The approaches reflect varied ideas of how welfare recipients can best achieve self-sufficiency, as described in the following paragraphs.

“Work Plus” group. A participant assigned to this group is encouraged to participate in education and training. A case manager meets with the participant and identifies career goals and training opportunities feasible for a participant who is employed full time or nearly full time. Some financial assistance is available to offset costs of child care and transportation related to attending classes. This is the largest group, with around 1,800 participants.

“Training Focused” group. A participant assigned to this group is not only encouraged to participate in training but also is given the option of reducing work hours below the 32 hours required by Riverside County to receive welfare services or payments without losing these benefits. Participants receive the same counseling and supportive services as the Work Plus group but can take training in lieu of working. Around 900 welfare recipients are assigned to this group.

“Work Focused” group. A participant assigned to this group is encouraged to continue in jobs and advance through investing in high-quality work on the job. Participants are *not* encouraged to take training, though they can enroll voluntarily in training or education. Members of this group receive the basic counseling and supportive services that the county offers to all welfare recipients to help them maintain employment.

EDD provides \$250,000 in governor’s discretionary Welfare-to-Work funds to support the Riverside effort (which mainly is funded through the county’s own share of federal Welfare-to-Work dollars). The tie to MDRC and the random-assignment approach make the program attractive to EDD, as does the large size of the sample.

The first preliminary results are gathered by MDRC in December 2003. The Work Plus and Training Focused groups are enrolling

in training at similar rates: around 35 percent of participants for each group. In some cases the training is an adult education basic literacy class that meets a few hours a week. In other cases involving the Training Focused group, the training can be a full-time vocational course. Generally, the Training Focused group is aimed at short-term vocational training, and the more popular jobs are those of certified nurse assistant, office assistant, and to a lesser extent truck driver.

The first two sets of tracking data show mixed results—none of the three groups makes major wage gains over the first 9–15 months. One set of data, summarized in Table 8.2, tracks 1,200 single parents randomly assigned in 2001 for a period of one year from assignment. The Training Focused group scores slightly lower on all economic measures than the other groups, reflecting in part the ability of this group to reduce work hours for training and not lose Temporary Assistance for Needy Families (TANF) benefits. Average yearly earnings range from \$7,463 for the Training Focused group to \$7,935 for the Work Focused group. The Training Focused group also shows the highest rate of TANF receipt (an average of \$3,351 for the year compared to \$3,117 for the Work Plus group) and the lowest percentage employed for four consecutive quarters (45 percent of the Training Focused group compared to 52 percent of the Work Focused group).

A second set of data tracks earnings for 520 participants who were randomly assigned between January and June of 2002. For the third quarter after enrollment, earnings range in amount from \$1,769 for the Work Focused group to \$2,200 for the Work Plus group. In contrast to the first data set, the Work Plus group shows not only the highest earnings but also the lowest percentage of TANF recipients (66 percent).

MDRC plans to track earnings, employment, and TANF receipt levels for a three-to-five year period. This longer-term data will give us a better idea of impacts and what combination of employment and training succeeds for employed welfare recipients. It's noteworthy that even the Training Focused group utilizes only short-term training (from one to six months, depending on whether the training is full time or part time). The consensus among welfare practitioners has shifted to getting welfare recipients into the work world and then complementing the job with skills upgrading.

Table 8.2 Riverside Employment Retention and Advancement Project: Impacts on Quarter 3 Earnings, Employment, TANF, and Food Stamps among Those Randomly Assigned, January–June 2002

Outcome	Average outcome levels			Work Plus vs. Work Focused	Training Focused vs. Work Focused	Work Plus vs. Training Focused
	DPSS Work Plus Group	EDA Training Focused Group	DPSS Work Focused Group	Impacts of E&T ^a services incl. work hours requirement	Impacts of E&T services w/o a work requirement	Added impacts of work requirement
Total earnings (\$)	2,220	2,063	1,769	451**	294	158
Ever employed (%)	76.5	74.0	69.9	6.5	4.0	2.5
Amount of TANF received (\$)	776	847	811	−36	36	−72
Ever received TANF (%)	65.9	69.0	69.5	−63.6	−0.4	−3.2
Amount of Food Stamps received (\$)	318	352	322	−4	30	−34
Ever received Food Stamps (%)	61.2	67.4	57.0	4.3	10.5*	−6.2
Sample size	236	113	113			

NOTES: Estimates are regression-adjusted using ordinary least squares, controlling for sample member characteristics. *significant at the 0.10 level (two-tailed test); **significant at the 0.05 level (two-tailed test).

^aE&T = employment and training.

SOURCE: Manpower Demonstration Research Corporation (MDRC) calculations from California administrative records.

3. Goodwill Industries' "Go the Distance"

Goodwill Industries proposes in early 2000 an at-home, computer-based skills upgrading for welfare recipients that it calls "Go the Distance." The rationale: most welfare recipients have not succeeded in traditional classroom settings, and computer-based learning represents an alternative approach. Also, with so many families now having a computer in the home, single parents can take training at home and at the time most convenient for them.

Goodwill's flyer promoting "Go the Distance" solicits former welfare recipients who want to obtain better jobs. "Are you struggling to get a *raise or promotion* at your job due to lack of training or education?" the flyer asks. "Are you unable to *increase your skills* because you don't have the time or money to go back to school? Are you interested in taking *university-accredited classes* on the Internet from a *computer in your own home*?" The flyer pictures 14 smiling graduate candidates for 2002 and urges, "Apply now!!"

These 14 candidates come from 24 participants who enrolled between January and June 2001. All are former welfare recipients. Most are in clerical jobs that pay between \$8 and \$10 an hour. They include a general accounting clerk, an administrative assistant, a direct bank associate, and several proof operators. Each participant receives a computer in the home (which is owned by Goodwill but which the participant can earn by completing training) and an Internet connection.

Goodwill also maintains a part-time computer technician to make repairs. In other computer learning projects for welfare recipients, the computers often were abandoned by participants who were unable to address a software or hardware problem.

Jennifer Tucker, the program manager, meets with each participant to map an individualized employment plan and a distance learning class. The classes chosen by participants teach skills that can help them advance with their current employers, such as bookkeeping and accounting, and skills that might assist them in new work fields, such as assisting in a medical office or working in child care management or as a pharmacist's technician. The classes last from three to nine months.

EDD's monitoring report in February identifies participants who are in danger of dropping out. One of the participants, the report says, "is experiencing domestic violence and is doubtful that she will be able to

continue. She has a modem problem that currently hasn't been resolved. Not safe at this point to go to the home and address it." A second participant "has been threatened by the police to remove her eight-year-old child from the home. Home life currently in an uproar." The EDD monitor goes on to note that "some clients [are] not able to grasp the importance of calling to cancel appointments. Have gone to a few homes and no one was there."

Still, the majority of participants remain and complete their on-line classes. According to Goodwill's internal tracking, from early 2001 to December 2002, 17 of the 24 participants complete their classes, 19 obtain some increase in wages, and 17 are employed one year after enrollment. A general accounting clerk earning \$8 an hour has her wage increased to \$8.72 an hour by the end of the year. ("She asserts that her supervisor's knowledge of [her] concurrent enrollment in Bookkeeping, in addition to the learned soft skills in the program, complemented her demonstrated performance to receive the promotion," notes a program report.) A direct bank associate earning \$9.90 an hour is promoted to assistant supervisor at \$10.66. A proof operator sees her wage increase from \$8 to \$9.69 an hour.

The Goodwill records include testimonials from participants on how the participation helped both them and their families. Several participants speak of their children becoming more interested in school, and of how use of the computer is taken up by others in the household. One participant recounts, "My daughter has been learning to identify the letters of the alphabet on the computer, and my son has come out of depression since I went back to work. I feel for the first time in my life like I can face my children, because they can call me Mom and be proud to say it."

By early 2004, Goodwill officials are touting the distance learning approach, and they raise state and local government training funds to start a second training cycle of 30 participants in Los Angeles and a third cycle of 20 participants in nearby San Bernardino. In both cases, though, the funds are short term, and the longer-term future of distance learning remains up in the air.

ECONOMIC SELF-SUFFICIENCY FOR WELFARE RECIPIENTS THROUGH NONTRAINING APPROACHES

The postemployment projects discussed in this chapter, though varied in form, all envision welfare recipients improving their economic position through additional training services that are supported by government training funds.

It should be noted that there has been a second line of projects to achieve economic self-sufficiency for welfare recipients; this line departs from the government service or training model. Some of these projects have sought economic self-sufficiency for welfare recipients through asset accumulation. Such projects have made use of the Individual Development Account (IDA), by which low-income families, including employed welfare recipients, can accumulate savings and be assisted in their savings by matching funds. Other projects have sought self-sufficiency for low-income families through these families working together rather than relying on the government.

An important project aiming at economic self-sufficiency that has incorporated elements of both approaches is the Family Independence Initiative (FII) in Oakland, California, started in 2000 by social entrepreneur Maurice Lim Miller and Oakland mayor Jerry Brown. FII (or “200 Families Out of Poverty,” as it came to be known) utilizes the concept of “affinity groups”: associations of low-income families, initially based around a shared ethnicity, that come together for mutual support and even possible pooling of resources. The government’s role is not counseling or training, but incentivizing economic behaviors that will lead to economic self-sufficiency. Chapter 11 examines this project in greater detail.

Notes

1. Aid to Families with Dependent Children (AFDC) was replaced in California in January 1998 by California Work Opportunities and Responsibility to Kids (CalWORKs), the state's implementation of the 1996 federal welfare reform.
2. Bruce Wagstaff, interview with the author, 2002.
3. As part of the implementation of CalWORKs, the state legislature established the Welfare Policy Research Project at the University of California campuses to study the impacts of welfare reform in California. Among the leaver studies in California supported by the project were Lieberman and Mancuso (2001); MaCurdy, Marrufo, and O'Brien-Strain (2003); Cox and Klerman (2003); and California Department of Social Services (2000).
4. In contrast, the researchers found that in "child only" cases, in which adults do not participate in CalWORKs employment services (the family receives aid only for the child), the return rate of leavers in 1998 was similar to the rate in 1988. The researchers conclude, "Our hypothesis that CalWORKs had an effect in reducing recidivism is consistent with the findings that recidivism dropped for families subject to the CalWORKs employment service requirements and did not drop for cases not participating in these employment services" (Lieberman and Mancuso 2001).
5. The higher employment rates in the PPIC study are due in part to the study's focus on welfare leavers who have been off welfare for at least 11–16 months. The study thus omits those welfare leavers who return to welfare within a matter of months. The PPIC study found that among 3,905 leavers, 22 percent returned to CalWORKs before month 7.
6. The greatest income gains came in the Portland, Oregon, program, where earnings gains of participants averaged more than \$5,000 above those of the control group over the five-year period. The Portland program possessed certain contextual advantages—a welfare caseload with fewer barriers and a state with a relatively high minimum wage. Mainly, it had a strong employment focus, assigning the majority of participants to job search and sending others to short-term training of less than six months.
7. Goodwill Industries, for example, proposed a "Career Advancement Center," by which former welfare recipients could take classes at night to improve their skills. The center would provide child care and even dinner and homework assistance to children to make it easier for former welfare recipients to attend. Part of the EDD staff criticism involves how unrealistic the approach seems—"Will a single parent, after working all day, want to take her family out at night? I don't think so." Another part involves the costs of these supportive services. The largest part, though, involves the lack of clear performance goals: Goodwill does not have clear outcomes in job retention or wage gains for participants.

A variant proposal for funding adult education centers came from the San Francisco welfare department. Since welfare reform, this department had adopted a much stronger work orientation. Its proposal for adult education centers,

though, piles on the services (even offering to pay cab fare for welfare recipients to come to the center) and lacks a clear strategy for job or income gains.

8. Fred Fischer, manager of EDD's Fiscal Programs Division, in a memorandum to the EDD Director's Office, November 4, 1999.
9. Dollie Hamilton, interview with the author, 2000.
10. October Vance, "Oakland Skills Upgrade Monthly Report, 12-31-99."
11. Sacramento Job Service Office, "Sacramento Office Skills Upgrade Report," June 30, 2000.
12. Meeting at EDD headquarters in Sacramento about the Sacramento Welfare-to-Work Skills Upgrading Program.
13. Sacramento Job Service Office, "Update on Welfare-to-Work Skills Upgrading Clients," November 2003.

9

Principle Seven: Workers with Disabilities

A New World of Employment Exists

In January 2003, more than 980,000 California working-age adults are unemployed and living primarily on Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI), the main government payments to persons with disabilities.

A number of these workers have physical disabilities—they have limited sight or hearing or limited use of their arms or legs. A greater number have either developmental disabilities (autism, severe dyslexia, mental retardation) or mental health issues. Their combined number in California is larger than the size of the labor force of most states.

The SSI and SSDI population has not received the attention that the welfare population has in recent years, or the push to employment. But that is beginning to change, and for good reasons. Some of these reasons involve the costs to federal and state government of such a large (and growing) number of workers on long-term SSI or SSDI. Other reasons are more positive, involving the promise of workers with disabilities in today's highly complex and specialized labor market.

Part I of this chapter discusses why today's workers with disabilities have such a high unemployment rate and are increasingly reliant on SSI. Part II identifies policies and practices designed to boost the employment of workers with disabilities: going beyond the shallow One-Stop system; building selected employment projects that understand workers with disabilities; restructuring the current incentive structure of SSI, which discourages work; and building on the projects for young people originated by Workability, an EDD program aimed at providing work experience for young people and reducing the number of them who sign up for SSI.

PART 1: THE HIGH UNEMPLOYMENT AND SSI USE AMONG WORKERS WITH DISABILITIES TODAY

There has been a sea change in attitudes toward workers with disabilities, especially nonphysical disabilities, over the past 40 years. Still, even in the early twenty-first century, in California as in the United States as a whole, the majority of workers with disabilities are outside of the workforce, living primarily on government transfer payments. Over the past two decades, considerable research has been undertaken to understand the work behavior of America's workers with disabilities. The research has not been easy to conduct, since neither state nor federal agencies generally track workers with disabilities, and many developmental disabilities or mental health issues are not easily identified. Researchers, though, have been able to utilize two main data sources, the Current Population Survey (CPS) and the National Health Interview Survey (NHIS).

The CPS is a monthly household survey of 50,000 U.S. households (around 150,000 noninstitutionalized civilians), administered by the Census Bureau. The CPS asks a variety of questions on work behavior, including a question about whether any adults in the household have a health problem or disability that might limit the kind or amount of work they can do. The CPS also goes into more detail for a subsample of the households surveyed and asks the work limitation question in two consecutive years. This allows leading researchers to construct a matched CPS sample that filters out some disabilities that might be temporary.

Figure 9.1 shows the CPS and CPS-match data on employment among working-age men and women with disabilities over the past two decades. It also shows the data from the NHIS, a survey of 100,000 civilians conducted by the U.S. Centers for Disease Control and Prevention from 1983 to 1996 that includes questions on work and work disabilities. Data for the figure were compiled by Cornell professor Richard Burkhauser and Federal Reserve Bank economist Mary Daly, leading researchers in the field, with two colleagues (Burkhauser et al. 2002).

Though the three data sets yielded different rates of employment, none yielded a work rate for men and women combined that was above 50 percent for any year. For most years, the employment rate for work-

Figure 9.1 Trends in Employment among Working Age Men and Women with Work Limitation–Based Disabilities

NOTE: NHIS = National Health Interview Survey. CPS = Current Population Survey.

Gaps in CPS-Match line represent years for which there are no data.

SOURCE: Burkhauser et al. (2002), from calculations using the NHIS, 1983–1996, and CPS, 1981–2000.

ers with disabilities as estimated by the surveys has been in the 30–40 percent range. The CPS, because it consists of the largest continuous sample, is the most widely cited survey by disability groups, and it has shown an employment rate for men below 40 percent since the early 1990s, and a rate for women below 30 percent in most years. The U.S. Department of Labor’s Web site, citing the CPS, estimated in 2002 that “around 30 percent of working-age adults with severe disabilities are working”; a similar figure is used by groups for the disabled, including the Able to Work Consortium. The employment numbers yielded by the CPS-match are even lower—combined men’s and women’s rates in the low 20s in most years.

The NHIS numbers are higher, in the range of 40–50 percent for men and 30–40 percent for women. In 1996, the final year of the NHIS, Burkhauser and Daly used the NHIS to estimate a 44 percent employment rate for working-age men with disabilities and a 38 percent employment rate for working-age women with disabilities. Burkhauser and Daly attribute the higher employment figures registered by NHIS to a more detailed questioning of the nature and type of impairment.¹

As striking as the low rates of employment—whether the NHIS or the CPS numbers—is the negative employment trend among workers with disabilities since the mid-1990s. The conventional wisdom among policymakers is that since the passage of the Americans with Disabilities Act in 1990 the employment rate for workers with disabilities has increased. But in fact, both the CPS and the NHIS data show that the employment rate has been static or even that it decreased in the late 1990s, at the same time that disability benefit rolls and expenditures grew (Stapleton and Burkhauser 2003). Figure 9.2, compiled from the CPS by Daly and by Andrew Houtenville of Cornell, shows employment rates for workers with disabilities declining during the 1990s. The decline continued even during the boom years of 1996–2000, when employment rates for workers without disabilities markedly increased (Houtenville and Daly 2003).

The current SSI system was enacted in 1972 and began paying benefits in 1974. It replaced a series of state-run entitlement programs created under the Social Security Act of 1935 (two were Old-Age Assistance and Aid to the Permanently and Totally Disabled), setting minimum benefit standards, uniform eligibility criteria, and relatively low benefit reduction rates on labor earnings (Daly and Burkhauser 2003).

Figure 9.2 Employment Rates for Workers with Disabilities, 1980–2000 (%)

SOURCE: Houtenville and Daly (2003), from calculations using the March Current Population Survey, 1981–2001.

SSI was intended by Congress to be for individuals unable to work because of being aged, blind, or disabled. Additionally, an SSI recipient must be able to show very limited income (below \$500 for a single adult) and very limited assets (assets, excluding home and car, of less than \$2,000 for a single adult).

While the program requirements for the aged (65 or older) and blind are straightforward, to qualify as disabled requires going through a more detailed eligibility process. Disability is defined as a “physical or mental impairment that keeps a person from performing any substantial work and is expected to last 12 months or result in death.” The qualification process can take anywhere from several months to more than a year and involves application to the federal Social Security Administration, an initial determination by the state agency, and several layers of appeals. A significant number of applications are turned down: allowance rates (initial acceptances to initial applications) range from 28 percent in Louisiana to 48 percent in Delaware (California’s rate is 37 percent).

SSI has exploded in size since 1974, becoming the largest federal means-tested benefit program in the nation. An average of 6.3 million people received SSI in 1999 at a cost of \$34 billion to the federal and

Five Steps for Increasing Employment among Workers with Disabilities

1. Over the past 40 years, attitudes have changed toward workers with disabilities, including nonphysical disabilities. Inclusion in mainstream employment has replaced separate workplaces as the goal.
2. The One-Stop system, despite the claims of proponents, is not a good vehicle for serving workers with disabilities. More intensive and specialized efforts are needed.
3. Intensive employment efforts, such as Jobs for All, will play a role, as they are able to supply expertise on workplace inclusion, one-to-one job search assistance, and retention services following placement. As these efforts find, employers often describe workers with disabilities as bringing greater skills and commitment to the job than other employees.
4. The most widespread impact on increasing employment will come from the restructuring of the SSI system. The main effort to restructure SSI, the Clinton administration's Ticket to Work program, has achieved a very minor impact in its first years.
5. Along with restructuring SSI, a major effort should be made to keep young people from signing up for SSI in the first place. Once on the rolls, few workers move off.

state governments. As shown in Figure 9.3, between 1974 and 1982 SSI growth was minor. Total SSI recipients stood at 3.9 million in 1982. By 1996, this number had grown to 6.6 million. The big growth, in terms of raw numbers, has been in the number of disabled adults between the ages of 18 and 64. Aged recipients peaked at 2.5 million in 1975 and by 1998 were down to 2 million. Blind and disabled children grew from 185,000 in 1989 to 887,000 in 1998. Blind and disabled adults 18–64 grew from 2 million in 1982 to 3.6 million in 1998. Figure 9.4 shows the relationship between the growth of SSI and the employment rates of working-age men and women. As SSI expenditures rise during the 1990s, employment declines, especially among working-age men.

Figure 9.3 SSI Caseloads by Age Group, 1974–2001

SOURCE: Daly and Burkhauser (2003).

PART 2: DESIGNING EMPLOYMENT PROGRAMS FOR WORKERS WITH DISABILITIES

Attempts at increasing the employment of workers with disabilities draw on a mix of targeted employment efforts and the reshaping of the SSI system. The box on the previous page summarizes the five major guidelines, which are discussed in greater detail below. Two of my former EDD colleagues joined me in compiling these guidelines: Catherine Baird, executive director of the Governor's Committee on Employment of People with Disabilities, and Max Forman, a 25-year veteran of disability programs and the head of EDD's Jobs for All project.

1. The change in attitudes over the past 40 years, and the growth of the inclusion ethos.

In any examination of how to increase employment of workers with disabilities, it is valuable to recap how attitudes have changed over the past 40 years, even among employment professionals. In the 1950s and

Figure 9.4 Disability Benefit Rolls and Employment Rates among Working-Age Men and Women with Disabilities

SOURCE: Burkhauser and Daly (2002).

1960s, EDD sponsored several initiatives to “Hire the Handicapped.” Since “handicapped” during these years meant workers with physical disabilities, the initiatives largely aimed at convincing employers that these workers were “no different” (in the words of the initiatives) from other workers. Workers with neurological disabilities or mental illnesses were not even part of the picture.

In 1955, EDD sponsored the Governor’s Committee for the Employment of the Physically Handicapped, and in October of that year, EDD participated in “National Employ the Physically Handicapped Week.” The statewide EDD newsletter that month encouraged Job Service staff not to ignore the physically handicapped, since “denying employment to persons with physical disabilities who are able and willing to work is a glaring example of the ineffective use of manpower.” Before World

Paul Orfalea, Inclusion Advocate

Paul Orfalea was one of many parents and philanthropists around the state who came to Sacramento during the Davis administration to advocate inclusion in the workplace. Orfalea started Kinko's copying in 1970 in Santa Barbara, grew it into a nationwide chain, and sold it in 2000, which made him very wealthy. In 2001, when he was coming to Sacramento to lobby, he was dividing time between his business investments and his private foundation, which focuses on kids with learning disabilities—or, as he insists on calling them, “learning differences.”

Paul is dyslexic, which was a big influence on his life growing up in Southern California. He was a terrible student and was in and out of schools and special education programs and tutoring programs. His main support was his parents, who told him he was not stupid or a failure. Now he spends time speaking to parents and teachers who work with kids with dyslexia or autism or other “learning differences.” His main message: “These kids have a great deal of talent. They just have different learning styles. Don't let them be beat down by the school system.”

“The high school counselor urged my mother to get rid of her unrealistic expectations and enroll me in a trade school to become a carpet layer,” Orfalea recalls. “But my mom told the counselor, ‘I just know he can do more than lay carpet.’ Workers with learning differences can do a lot more than they're usually given credit for.

“In the movie *Rainman*, Raymond did have a severe disability and couldn't do a lot of jobs. But also he had unusual skills. Was his choice only between being institutionalized [and] living with his brother? Couldn't he have found a job using some of his amazing skills of calculation, for example as an actuary?”²

War II, the newsletter noted, disabled workers in the labor force were a rarity, but the past decade “has witnessed a gradual but nevertheless remarkable change in the picture.” Of the 750 members of the Paralyzed Veterans’ Association in Southern California, nearly half were “gainfully employed,” the article said. The newsletter singled out the case of a blind man repairing PBX switchboards at the Port Hueneme Naval Supply Depot, and the case of another blind man “expertly wrapping packages for export” at the Friden Calculator Company. It concluded that “the handicapped are performing commendably in practically every type of job or profession” (California Department of Employment 1955).

By 1957, EDD had adopted the slogan, “It’s ability—not disability—that counts,” and had recorded 19,622 placements of physically handicapped persons in California during the year. The examples given in the EDD newsletters of 1957 chronicle the experiences of workers with physical disabilities such as John R., “a public charge for a period following a hunting accident which caused the amputation of a leg.” John was given “counseling to the end of providing him motivation to rejoin the labor force, and help in finding a job as an attendant in an animal hospital.” Another example told the story of Mary B. The woman, “crippled by polio, learned typing and shorthand, and she is working as an executive secretary in a busy insurance brokerage. ‘Though she will be in a wheelchair for the rest of her life,’ her employer says, ‘somehow we have forgotten that she has any handicap at all’” (California Department of Employment 1957).

It was in the 1960s that EDD broadened its job placement effort to include workers with other types of disabilities (nonphysical ones), including neurological disabilities, mental retardation, and mental illness. Workers with these disabilities, though, were often seen as only fit for sheltered workshops—distinct workplaces outside of the employment mainstream that undertook low-skilled repetitive tasks.

Inclusion of these workers into the employment mainstream grew in the 1970s and 1980s because of a combination of factors such as the passage of the Rehabilitation Act of 1973 and the emergence of the disability rights movement. Among government agencies like EDD, workers with disabilities were now to be included in mainstream workplaces, and funds became available for aides, such as Job Coaches, to help them make the transition. Additionally, a network arose of commu-

Table 9.1 Department of Rehabilitation “Jobs for All” Consumers, May 2000–March 2003

	May 00– June 00 ^a	July 00– June 01	July 01– June 02	July 02– March 03 ^b	Total since inception
SSI-only recipients	11	69	232	280	619
SSDI-only recipients	14	54	77	75	220
Dual SSI/SSDI recipients	7	17	27	23	74
Public assistance (other than SSI or SSDI)	9	68	214	165	456
No public assistance	36	204	305	495	1,040
Total consumers served	77	439	855	1,038	2,409
% SSI or SSDI	14	22	27	27	26
% SSDI only	18	12	9	7	9
% dual SSI-SSDI	9	4	3	2	3
% other public assistance	12	15	25	16	19
% no public assistance	47	46	36	48	43

^aProgram began May 2000.^bTable compiled April 2003.

SOURCE: Unpublished data from California Department of Rehabilitation.

nity-based organizations that specialized in placement of the disabled. Today, inclusion is the main theme of placement of the disabled. Workers with disabilities—except in rare cases—are no longer relegated to separate workshops or to public assistance. The box on the following page illustrates the potential of such workers through the story of one man who overcame his disability.

2. The One-Stop system is not a good vehicle for serving workers with disabilities.

The One-Stop system in theory is meant to serve workers with disabilities as part of its comprehensive services. However, the experience of the One-Stops over the past few years shows that the system does not possess the expertise or the intensive services needed by many workers with disabilities. Within the Davis administration, Catherine Campisi, director of the California Department of Rehabilitation (DOR), championed the inclusion of workers with disabilities in the One-Stops. She headed a project to improve physical accessibility at One-Stops, and a second project to train One-Stop staff to serve workers with disabilities.

The job search assistance provided at the One-Stops is primarily through job search workshops or use of the automated labor exchanges. A portion of the One-Stop clients are to get “intensive services,” but these services are uneven among One-Stops. Usually these clients also receive short-term counseling. Even with training, One-Stop staff, as generalists, will not be able to gain the expertise needed to most effectively serve workers with disabilities.³

3. Intensive employment efforts, such as Jobs for All, will play a role as they supply the necessary expertise and patience to those with disabilities and as they produce employer satisfaction with the skills and loyalty of workers with disabilities.

In 2000, EDD launched Jobs for All (JFA) to test whether employment could be increased through an intense job placement and retention effort. Jobs for All is worth discussing in some detail as it shows the value of intensive employment efforts, the satisfaction of employers, and, of course, the limits of even one-to-one efforts.

JFA started in May 2000 and by 2002 had grown to nine pilot projects in the state, including projects at Santa Rosa, San Diego, Oakland,

**JFA Case Notes Indicating the Role
of Intensive Job Search Services**

- “Client #1, a woman with significant back problems and depression, who had not worked for several years, received training from DOR for Web Page Design. EDD staff helped her identify job openings, prepare for the job interview by studying the company, and follow up with the employer after she was hired as a ‘Web Designer/HTML Programmer’ for \$35,000 a year.”
- “Client #2, a woman with an inconsistent work history, due to orthopedic problems and depression, wanted to work in the health field. After completing a medical assistant certification class, she went on 15 job interviews without success. The encouragement and assistance from EDD enabled her to persevere with her search. She eventually was hired at a hospital as a lab technician, earning \$12.35, and two years later had been promoted to Clinical Lab Assistant earning \$13.11.”
- “Client #3, a man with a degree in accounting[,] had been out of the labor market for some years, due to a physical disability affecting mobility and accompanying depression. Over 6 weeks, he was referred to 5 different interviews and sent out over 40 resumes, with no success. JFA staff continued to assist his job search and contact employers, until he was hired as an accounting clerk at \$35,000 a year.”
- “Client #4, a 34 year old man with very limited sight, had been out of work for 7 years after receiving a computer trade school degree. The JFA counselor, after more than 20 job searches, was able to place him in an \$8 an hour job performing telephone research on foreclosures and inputting data at the Real Estate Transaction Network.”

and Fresno. JFA operates in three phases. In Phase 1, DOR identifies workers with disabilities who registered with the department but were not placed in jobs. In Phase 2, EDD job placement specialists, serving as marketers, motivators, go-betweens, and coaches, seek to place these workers in jobs. And in Phase 3, EDD specialists follow their placements for at least a two-year period to assist in retention or replacement.

This intensive case management, once common to EDD, had been abandoned over the previous decade as EDD's federal funds shrank. JFA represented a return to a time when EDD job counselors had time and mandate to develop close working relationships with employers and workers.

Older EDD workers recall being hired by the department in the 1960s as a "manpower development specialist" or an "employment security officer," positions that involved getting to know both job seekers and local employers and making appropriate matches. "I started in the early 1970s as an employment security officer," Faye King, the head of EDD's midtown Sacramento Job Service office, told me in 2002. "We had the time to get to know employers and to know the job seekers. We were careful not to sell employers on workers who were not good fits, since we would then lose our relationship with the employer."

This intense one-to-one arrangement was gradually eliminated in the 1990s as EDD's federal funds dwindled and the One-Stop employment delivery system emerged. EDD staff shifted to developing and operating the state's automated labor exchange. The remaining one-to-one job counseling represented a significant scaling back and involved groups for which EDD received targeted funds: veterans, welfare recipients, parolees. For the JFA staff, the return to intensive one-to-one relationships was a welcome one. Several JFA staff commented, "This is the work I came to EDD to do."

Between May 2000 and April 2003, 2,487 participants enrolled in JFA. As is in line with the broadened focus of disability policy, the physically handicapped constitute only a percentage of this number. The majority are workers with developmental or learning disabilities or mental health issues. For example, among 36 JFA participants placed in jobs in March 2001, only 10 listed physical disabilities. Sixteen listed developmental disabilities ("learning disability," "mental retardation,"

“seizure disorder”), and 10 listed mental health issues (“depression,” “schizophrenia,” “substance abuse”).

A majority of participants come to JFA on forms of public assistance, as shown in Table 9.1. Nearly 42 percent are receiving SSI or SSDI or a combination at the time of enrollment. Another 12 percent are receiving other forms of public assistance, principally TANF and General Assistance. A snapshot of the participants, culled from EDD and DOR records in April 2003, shows that of the 2,487 enrolled up to that time, 1,106 had found work and 563 had been employed at least 90 days. Of the 1,381 who had not found work, around 400 had been dropped from the active rolls as no longer looking for work. The remainder, around 1,000, were listed as still looking for work.

An illustration of a local JFA program can be taken from Santa Rosa. Laurie Work is a JFA counselor in Santa Rosa and an advocate for intensive job assistance. The fortuitously named Work has been with EDD for 14 years, and, before joining JFA in 2000, she was stationed at the county welfare office, placing local welfare recipients into jobs. Her JFA caseload is nearly all made up of clients from DOR (her JFA colleague in Santa Rosa handles the non-DOR cases), and more than half are persons with what she calls “invisible disabilities”—developmental disabilities or mental health issues.

Work describes her job as one of relationships—with the participants, and with employers. “With the participants, it’s a lot of problem solving: ‘How do I get to a job without a car?’ ‘How do I present myself to employers?’ and so on,” she says. “With the employers, it’s getting to know their needs and not sending them any bad employees, because [then] they won’t trust you.”⁴

A picture of two JFA clients

What follows is a pair of descriptions, taken from my interview with Work, of JFA clients whom she has sought to help. The first is a man; the second a woman. The cases provide an insight into the kinds of determinations she must make in dealing with clients, the work attributes that workers with disabilities can bring to the job, and the importance of having close working relationships with employers.

First client. “One of my current JFA clients is a man in his early forties with a diagnosis of severe learning disabilities, and also with a criminal record and no valid driver’s license,” Work says. “So I called an employer [whom] I’ve formed a relationship with over the past five years. I told the employer that my client, despite his problems, was dependable, that he had been on time for all of his appointments with me, and [asked] did the employer have any jobs? And the employer said, ‘Laurie, I trust you.’ So because I had this employer relationship, the employer was willing to give my client a chance. Now the job was not a great job: It was \$7.50 an hour, using a leaf blower to help clean parking lots at night. In fact, what most people would call a crap job. But my client was thrilled. He called me after he was hired a few weeks ago . . . he couldn’t wait to get started. When I checked with the employer yesterday, the employer described my client as a fine employee.”

Second client. “Another of my JFA clients is a woman, also in her 40s, with a form of mental retardation,” Work says. “She worked in a supported employment setting for years, sewing American flags, before being laid off. She’s another one who’s done everything I’ve asked her to do, including taking classes on basic office skills at the local adult education center. I’ve marketed her to employers, and I’m now crossing my fingers that she will get an office job that just became available at \$6.75 an hour. I don’t think she would get it without the marketing assistance we’re giving her.”

Work says that this intensive one-to-one assistance is essential to getting her clients into jobs. “Realistically, if there isn’t this intense effort, these folks are not going to work,” she says. “They need someone to navigate them through the work system.” But Work acknowledges that at least a third of her clients are not going to get jobs, and another third are not going to last 90 days. “There are some of my clients for whom no amount of counseling is going to ensure success,” she says. “For some, the boss frowns at them and they decide to quit.”⁵

Work and other JFA counselors are expected to keep case notes, tracking their job placement efforts. A review of these notes indicates the value of an intensive job search, beyond what DOR and the One-Stop system provide for, as shown in the box on the next page.

One Case in Which Intensive Services Did Not Succeed

One of the participants in JFA, whom we will call James, was a relative of a prominent political figure, who called EDD in 2002 asking for our advice. James, 41, lived in San Diego and had been on SSDI for four years. He had had a spotty work history over the past two decades, primarily as a cook. His last job was in 1998. He was receiving \$938 a month on SSDI.

The politician called me one day to say that she had just visited Pride Industries in Roseville, a sheltered workshop, was impressed by its facilities, and thought that perhaps her brother could work there. I urged her to give JFA a chance, to see if we could place James in a more mainstream job. She spoke with James, and he agreed to give it a try.

James appeared on time for the first interview with Hazel Brown, his JFA counselor. He did not drive or own a car, but he had a good working knowledge of the regional bus system. Geneva Robinson, then manager of EDD's Job Service in San Diego, was also in attendance and wrote in case notes, "Despite his reliance on public transportation, he was early for his appointment (this is a good sign). He is a very agreeable individual, and places few restrictions on himself with respect to work location and environment. His appearance is very neat and, while it takes him a little time to get his thoughts together, he seems to function well."

James's stated goal was to find a job as a prep cook or line cook—or, failing that, to update his culinary skills through training and then obtain full-time employment in cooking so that he could get off SSDI. He also would accept janitorial work if nothing in restaurant work was available, he said.

Hazel had relationships with several restaurant employers in the area and arranged for James to interview for a cook position that paid \$13 an hour. James did arrive on time for the interview, but in the course of the interview he questioned whether he was qualified, since he did not have experience cooking breakfast. Hazel wrote in her case notes, "I was so disappointed that he didn't indicate he could do the job, since he did have some experience cooking breakfast, and probably could have learned quickly on the job."

To combat this objection, Hazel suggested—and James agreed to take—a six-week cooking course at the adult education program.

Because he was on SSDI, he was able to get the costs of his books and tuition paid (though they amounted to less than \$100). He told Hazel he planned to start classes on August 30.

But he never showed up for classes. Hazel continued to monitor local cooking jobs and sent James's resume to three employers, each of whom had jobs paying \$9–\$13 an hour. One of them contacted James for an interview, but James did not respond. Hazel suggested that James might volunteer at a restaurant to learn breakfast skills; he agreed, but he never did.

By October, James had dropped out of sight. He did not return calls from Hazel, and he indicated that he wanted to “take a break” from the job search. Hazel was disappointed but thought that maybe we had all pushed James in a direction he wasn't really interested in: “James might not really want to go to work, at least for now, or want to work on a regular basis, no matter what he says,” she wrote. “Certainly he receives one of the higher amounts, being on SSDI, and he lives very inexpensively.”

James's failed job search brought the following reactions in Sacramento:

Max Forman (JFA statewide coordinator): “On one level he wants to work, but I think he has a lot of anxiety about work and about losing benefits.”

Michael Krisman (EDD assistant director): “I hear this from our persons working on the AIDS/HIV project in Los Angeles, which serves a lot of workers on SSI/SSDI. Clients come in and say that they want a job, but as it comes close they begin to back off. They may not have a perfect life, but they have a certain comfort level with benefits and some income.”

Forman: “I agree. A number of years ago I worked at a state mental facility in New York. Patients said they wanted to get out but as the time came to leave they would become reluctant. They had grown secure in the system.”

Geneva Robinson: “James says he wants to work, but Hazel reports that financially SSDI is working pretty well [for him]. She calls him and hears soft music playing in the background. Now, if something changed, that might have some impact. But as long as the SSI/SSDI exists as it is, he keeps putting up obstacles.”

The JFA case files indicate the satisfaction of employers with JFA placements. Employers describe JFA participants as bringing a greater commitment and sometimes even greater work skills to the job than other workers. Sonia Jackson, a woman with mental retardation, was placed as a clerk at a Safeway grocery store in Hayward and then promoted to a general merchandise clerk, a union classification complete with benefits. In May 2001, George Raine, a business writer for the *San Francisco Chronicle* who had been tracking Jackson's employment, wrote,

Overlooked in the recent flurry of grim economic reports was this important development: Sonia Jackson, the veteran courtesy clerk with the dazzling smile at a Hayward Safeway store, has been promoted to the position of general merchandising clerk. This is significant not only because Sonia's hard work was rewarded, but because one more developmentally disabled worker has become a self-sufficient, taxpaying contributor to the economy. (Raine 2003)

A Safeway spokeswoman noted that the developmentally disabled workers the company hired usually delivered superior customer service and maintained better attendance records: "There is a dedication, reliability, and loyalty to Safeway with these workers," the spokeswoman, Debra Lambert, said. "Their time and attendance records tell the story. Their numbers are far superior compared to those of employees who are not disabled. You can count on them. They're hard working and they deliver incredible customer service." Raine contacted other major retailers, Home Depot and Longs Drug Stores, who agreed with this assessment (Raine 2003).

During 2000–2003, at the same time EDD was piloting JFA, the Department of Rehabilitation piloted an even more intensive job assistance for workers with disabilities, the Individual Self-Sufficiency Planning (ISSP) project. ISSP, with sites in Kern and San Mateo counties, provided for each participant a benefits planner as well as a job counselor. It succeeded in placing around 60 percent of the 228 participants into jobs, while showing significant reductions in cash benefits and in mental health outlays.

ISSP was funded during its pilot phase by the Social Security Administration, and when the \$500,000 yearly grant ended, the project ended. Indeed, both JFA and ISSP are labor-intensive and expensive, and it is not realistic to think that even with expansion they would reach

any more than a small proportion of the nearly 1 million adults on SSI and SSDI—or the additional workers with disabilities who do not receive SSI or SSDI.

4. The most widespread impact on increasing employment among workers with disabilities will come from restructuring the SSI system.

To JFA counselors, the main obstacle to fuller employment of workers with disabilities lies in the SSI/SSDI system. Lana Fraser, the JFA coordinator at DOR, summarizes the views of JFA staff as follows: “The SSI/SSDI system is not structured to encourage workers to leave. Some of these workers have spent over a year getting on [to the rolls], and they don’t want to risk going through the process again. Further, in the great majority of cases in which workers are not going to earn high salaries, they are not financially better off through work. SSI/SSDI is far more than monetary benefits—it can include housing benefits, health benefits, Food Stamps, in-home supportive services. Why take a chance of losing these?”⁶

James Lorenz was the first EDD director under Governor Jerry Brown. Lorenz helped found the California Rural Legal Assistance and was one of the public interest lawyers whom Brown brought to Sacramento in 1975. Today Lorenz’s law practice focuses on helping potential SSI recipients go through the government approval process. I suggested he might be interested in the governor’s drive to get SSI recipients into jobs. He didn’t see much promise. “Most of the SSI recipients I know aren’t looking to work,” he said. “There are a lot of factors influencing their decisions, though a main one is [reluctance about] giving up the SSI check and health benefits.”⁷

The cumulative marginal tax rates for individuals who decide to leave SSI and go to work can be from 50 percent to over 89 percent (Daly and Burkhauser 2003, pp. 20–22). The 50-cent loss in SSI benefits per dollar of earnings is only the starting point of income loss; these recipients also lose Food Stamps and can lose health benefits. Although the Earned Income Tax Credit (EITC) reduces the work disincentives by offsetting the taxes that fall on SSI recipients who go to work, it does not mitigate the loss of Food Stamps (which half of SSI beneficiaries receive) or the loss of health benefits.

In the 1980s, the Social Security Administration tried two large-scale demonstrations to encourage SSI recipients to go to work: Project Network, between 1982 and 1985, and the Transitional Employment Training Demonstration, between 1985 and 1987. The latter focused only on recipients with mental retardation, whereas the former included recipients with a variety of disabilities. SSI recipients were invited to participate, and volunteers were randomly assigned to treatment and control groups (the treatment groups were provided with employment services). In both programs, only a small percentage, around 5 percent, of SSI recipients volunteered to participate.⁸

Research in the early 1990s estimated that fewer than 1 percent of working-age SSI recipients each year left the rolls to take a job (LaPlante et al. 1996). The U.S. General Accounting Office, undertaking its own study, has estimated more recently that less than 3 percent of SSI recipients leave the rolls each year and that one-third of these people return within three years.

Over the past decade, academic experts and government officials have been very much aware of the disincentive impacts of SSI/SSDI and have proposed various structures to reduce these impacts—principally, allowing SSI/SSDI recipients to keep health (and other) benefits for longer periods of time after they go to work. In December 1999, President Clinton signed the “Ticket to Work and Work Incentives Improvement Act,” which allowed recipients to continue to receive health benefits after going to work.

The act also established the Ticket to Work program, aimed at dramatically increasing the employment services to SSI/SSDI recipients. Through Ticket to Work, all SSI/SSDI recipients are offered a voucher (“ticket”) enabling them to receive free employment services. For the first time, private job placement services as well as public employment services are given a financial incentive to place these recipients. The act allows the services to receive a percentage of workers’ SSI/SSDI grants upon their successful placement and retention.

Ticket to Work represents the best research to date on SSI/SSDI and work, and on the need to address work disincentives. In 2003 it was still too early to make judgments, since implementation of Ticket to Work had only started in February 2002 (and only in selected states). Yet the early implementation results are not promising. Fewer than 1 percent of SSI/SSDI recipients are even taking up the offer of place-

ment assistance by taking their vouchers to placement services. Further, few private job placement agencies are participating, since they receive payment over a period of years instead of in a lump sum, and only for as long as the recipient stays in the job. More widespread reduction of the SSI adult caseload will require changes in the incentive structure of SSI that are similar to the changes made in the incentive structure of welfare by the welfare reform of 1996.

As described in Chapter 2, in the three decades prior to the 1996 welfare reform, welfare recipients enrolled in job training and placement programs and were placed in jobs. In fact, welfare recipients were the most successful of all job training participants. However, the welfare rolls did not significantly decline until welfare reform of 1996 introduced a combination of work expectations and heightened employment services.

Ticket to Work is an attempt to move in this direction of work expectations and services, but at present it is entirely voluntary for SSI recipients. At least in the early stages, this voluntary approach is yielding little participation. Ticket to Work needs to explore some greater participation requirement to overcome the inertia or hopelessness of at least part of the recipient population.

5. Along with restructuring SSI to encourage work, a major effort should be made to keep young people from signing up for SSI in the first place. Once on the rolls, few workers move off.

As noted above, currently less than 3 percent of SSI recipients leave the rolls each year. In other words, once someone is on the rolls, it has proved very difficult to assist him or her to move off. Young persons applying for the first time to be on SSI, either as they leave high school or after an unsuccessful stint in the labor force, should be the focus of job search efforts.

Along with JFA, beginning in 2001 EDD operated a companion project, "Workability," focused on high school students with disabilities. It sought part-time jobs for them to gain job experience while they were still at school, and full-time employment upon graduation if the student did not intend to go on to further schooling. We started pilot Workability projects in San Francisco and Los Angeles. The San Francisco project was discontinued after nine months because of poor

results. The Los Angeles project appeared to go better; it grew to five high schools.

One of the participating high schools in Los Angeles was Fairfax High, which I attended between 1967 and 1970. A Fairfax classmate of mine, Lillian Grosz (now Lillian Wolk), was now on the special education faculty at the school, which had more than 100 special education students, mostly in mainstream classes.

“You know, when we were at Fairfax, I don’t remember any special ed programs,” I said to Lillian. “Where were these students?”

“When we were at Fairfax,” she replied, “most of these students were either in separate schools or were not going to school. Or, [they were] drifting through and quietly dropped out of Fairfax.”⁹

Lillian urged us to expand Workability. “We see parents giving up on their children early,” she said. “As soon as the child turns 18, they sign him up for SSI. What we want to do is intervene, show both the students and parents that they can function in the world of work, [and] get them before they get on SSI.”

In Spring 2003, the governor did expand Workability to 20 sites throughout the state. In the majority of sites, young people with disabilities were hired at a small wage to assist the JFA counselors, thus expanding the program’s reach. For Fiscal Year 2003–2004, Max Forman set a target of 2,000 youths enrolled in Workability and instituted a several-year tracking system to measure the program’s impacts on SSI enrollment.

EDD’s Workability is part of a larger Workability effort through the California Department of Education; the larger program may number up to 30,000 participants. Still, compared to the number of high school students in special education in California (more than 300,000), the total Workability effort probably reaches less than a tenth of students with disabilities. Since there will never be enough money to significantly change this percentage, an intensive job search for youth with disabilities to keep them off SSI must have its place as part of the SSI mandate.

PART 3: THE ROLE OF FAMILY AND FRIENDS IN INCLUSION

I have noted above how the inclusion of workers with disabilities in mainstream employment has replaced separate workshops as the goal. However, the shift in the thinking of employers, public and private, about employment of the disabled still is in an early stage. For a model of a more fully developed inclusion ethos, we can look at the shift in inclusion in the public schools over the past three decades. Thirty years ago, most children with disabilities, physical and developmental, were largely in separate schools or settings. The inclusion model in schools has brought children with disabilities into mainstream schooling. Further, it has introduced a new inclusion ethos into the schools: Kids with disabilities increasingly are seen as adding skills and perspectives to the schools—not as charity cases.

But inclusion in the workplace will be more difficult to achieve than in the schools. Employers, especially private sector employers, must see value being added from all of their employees. Ultimately, if workers with disabilities are to be integrated into employment, it must stem from more than a charity angle. Their integration must be tied to the skills and strengths these workers bring to jobs—strengths that were recognized by the Safeway spokeswoman quoted previously. Further, inclusion in the workplace, like inclusion in the schools, will require the active participation of the worker's family and friends. Family and friends, whenever possible, must take responsibility for supporting workforce inclusion.

The oldest of our four children, William, born in 1989, has been part of the inclusion program in the San Francisco public schools from kindergarten through his present ninth grade. William is a high-functioning autistic—or, more specifically, he has a form of autism known as Asperger's syndrome. He combines high intelligence in some areas with strange preservative behaviors, awkwardness in social interactions and speech, and big gaps in academic abilities.

For him, inclusion in a regular public elementary and middle school has been far better than being in a separate class or school—as he would have been 30 years ago. In the early 1960s, when I was William's age, forms of autism and other neurodevelopmental disorders went largely

undiagnosed. The kids afflicted with them were considered strange or weird or “out of it.” They had little interaction with other kids, or were teased or bullied. Today, I continue to be amazed at how many of William’s classmates encourage him and support him.

Yet, to make school inclusion succeed, my wife, Donna, and I invest a lot of time in monitoring his school participation and homework. The school staff, pulled in many directions, cannot be expected to do so. William is now in his first year at a large, comprehensive public high school, with a dedicated inclusion-minded teacher overseeing the inclusion process, and classroom aides to help. Yet even with these supports, without extensive family assistance William would struggle and probably fall far behind other students, until he dropped out.

Similarly, workforce inclusion will benefit from families or associations of families of workers with disabilities providing support for their employment. In the Bay Area, I and several others are looking into creating a volunteer effort by which we can support a broad variety of workers with disabilities. This support will include identifying job opportunities and monitoring the workers, as appropriate, to ensure that their employment is succeeding. The public workforce system will benefit as it is augmented by family and volunteer networks.

Further, the system will benefit from the practice of workers with disabilities and their families of honestly chronicling their work efforts, which will help them to see things steady and see them whole. In 1972, Josh Greenfeld, a Los Angeles-based novelist and screenwriter (he wrote the 1974 Paul Mazursky-directed film “Harry and Tonto,” for which Art Carney won an Oscar), published a book about his 6-year-old son, Noah, an autistic with very little speech or involvement in the world. (“His main activities,” Greenfeld [1972, p. 14] writes, “are lint-catching, thread-pulling, blanket-sucking, spontaneous giggling, inexplicable crying, eye-squinting, door-closing, and incoherent babbling.”) This book, *A Child Called Noah*, was followed by two others, *A Place for Noah* (Greenfeld 1978) and *A Client Called Noah* (Greenfeld 1986). The trilogy follows Noah and the Greenfelds (dad Josh, mom Foumi, and brother Karl) as the family tries to carve out a life for Noah.

The Greenfelds try various schools, including establishing their own school with other parents of autistic children. They try developmental therapists, nutritional therapists, physical therapists, and Dr. Ivar Lovaas’ autism clinic in Los Angeles. In the end, none of these

yields significant results, and Josh and Foumi look at a group home or a state facility in which to place an almost-adult Noah.

In the years since, hundreds of other books have been published on autism, including more than 20 by parents of autistic or autistic-spectrum children. None of these books even begins to approach the Greenfeld books in insight, honesty, humor, or anger. The other books by parents are largely sentimental feel-good stories of triumph against adversity. In contrast, Josh Greenfeld doesn't sugarcoat Noah or himself or the therapists, or minimize the disconnect between Noah and the education and work world.

In 2000, as we at EDD were developing our employment initiatives for workers with disabilities, I contacted Greenfeld, who continues to live in Pacific Palisades with Foumi. Noah, for the past 12 years, has been at the state facility for the developmentally disabled in nearby Fairview, California—a placement Josh regards as superior to any of the group homes. I explained the governor's interest in workers with disabilities and said that we'd welcome his participation. He responded that he was not a joiner, and that most organized autism efforts amounted to parents pursuing their own narrow interests. Nevertheless, he said he'd be willing to do anything he could to help with the initiatives, since he agreed that a job for a developmentally disabled adult could be very important.

Over the next few years, we never did connect Greenfeld to our employment efforts. Looking back, I'm not sure it was an idea that made sense. On some level, probably, I was hoping that Greenfeld would become involved and do a chronicling, in the tradition of the Noah trilogy, that would capture the world of workers with disabilities for a wider audience.

Such a chronicling would not be a feel-good story. It would describe the social and behavioral dysfunctions that usually undermine both job searches and placements. It would describe the difficulties that anyone with a disability has in competing against other workers in a highly competitive work world. At the same time, it would describe the times when workers with disabilities truly are able to fit into the work world.

Notes

1. In an e-mail to the author dated May 5, 2003, Burkhauser explained the differences among the data sets as follows: "It is difficult to prove why these levels are different. We believe it goes back to how the populations were defined. The easiest one to explain is the lower employment level for 2 period CPS than for 1 period CPS data. Those who report having a work limitation in two periods are much more likely to have long-term and more serious impairments than the population who reports having a work limitation in 1 period. So, it is not surprising that this similar and more long-term impaired population also has lower employment rates than the larger and less long-term impaired 1 period population. The differences between the NHIS and the CPS 1 period population employment rates are less clear cut but similar in inference[:], because the NHIS is a health survey a greater percentage of folks say they have a work limitation and they may be less severely work limited and hence have high employment rates. That story is consistent with the facts. Hence, we have three populations defined by two definitions across the data sets. There is no obvious right one to use to determine levels. The more severely impaired the population is the lower their employment rates will be . . . But whichever you choose, we show that the trends are the same: Employment of working age folks with disabilities fell in the 1990s."

See also Burkhauser, Houtenville, and Wittenburg (2003).

2. Paul Orfalea, interview with the author, 2001.
3. The Los Angeles Workforce Investment Board funded an "employability" consortium for the staffs of the 40 or so One-Stops to provide training on serving workers with disabilities. The training was short-term and did not alter the One-Stop job placement services, which in Los Angeles, as elsewhere, are primarily aimed at reaching a large number of workers, rather than providing an intensive service.
4. Laurie Work, interview with the author, April 21, 2003.
5. Work, interview.
6. Lana Fraser, interviews with the author, different occasions, 2002–2003.
7. James Lorenz, discussion with the author, 1999.
8. Those participants who received employment services did show employment gains over the control group, though by the third year the gains had declined to nearly zero. See Daly and Burkhauser (2003, pp. 40–41); Kornfeld and Rupp (2000).
9. Visiting Fairfax with Lillian Wolk on September 13, 2000, was the first time I had been back to the school since graduation in 1970. The gating and fences immediately stand out, as do the additional security guards. "The security is a lot different than when we were here," Lillian comments, as we tour classes in the "New Building," the three-story structure that opened when we were juniors, and which stood out then as drab concrete against the older, graceful colonial buildings. One of the classes we visit is for severely autistic students. The teacher is

sitting with the four students, while off to the side sit four women who are reading the paper and knitting. These are the “para’s.” Each serves as an aide to a student, though at least at this time they don’t have much to do. As I leave, one of the boys comes up to button the open second button on my suit coat. “He has an obsession with buttoning everything he sees,” Lillian explains. “These are not the special ed. students for Workability: they’re not high-functioning enough, though leaving them to a life on SSI does not seem right.”

10

Principle Eight: Technology Jobs

The Emerging “New Technician” Jobs Provide an Important Niche Training Market

The first months of the Davis administration in 1999 coincided with the beginning of the dot-com boom in California and in the nation. During 1999 and the first quarter of 2000, tens of billions of dollars were invested through venture capital firms and stock offerings in companies promising commercial uses of the Internet. This unprecedented infusion of money into new companies was accompanied by declarations of a “New Economy” for America and the world. The New Economy would revolutionize not only the way business was conducted but also the workplace and the jobs workers held (Cassidy 2002; Cramer 2002).

At EDD, we focused on the jobs being created by the dot-com firms springing up in California. How many were there? How much did they pay? What skills were necessary to get them? What career mobility existed? We traveled to Cisco, eBay, Yahoo, Oracle, and other New Economy firms. We met with officials at major technology firms—Hewlett-Packard, Advanced Micro Devices, Silicon Graphics—as well as at the dot-coms and at three tech industry associations: The Computing Technology Industry Association (CompTIA), the Information Technology Association of America (ITAA), and Joint Venture: Silicon Valley.

What we found was both a phantom tech jobs boom and a real one. The phantom boom involved the thousands of dot-com firms that rose quickly in California, did a significant amount of hiring, and then collapsed within two years. These firms did leave some impact on the state’s employment in terms of jobs that survived. Far more important, though, was the growth of what we came to call “new technician” jobs—jobs as network administrator, field service technician, telecommunications technician, and customer service technician in the Old Economy firms—the banks, the insurance companies, the law and engineering firms. Today, these new-technician jobs provide a new middle level of jobs (in a way, they are replacing the unionized manufacturing jobs that

California continues to lose) and a significant job training niche for practitioners.

PART 1: THE DOT-COM EMPLOYMENT BOOM AND BUST

We can get an illustration of the amazing dot-com employment boom and bust if we compare notes on two time periods, two years apart: November 1999 and December 2001.

November 1999: Bob Marr, EDD technology analyst Harold Velasquez, and I travel to the Cisco Systems campus in San Jose. Founded in 1984, Cisco has grown in 15 years to be the worldwide leader in the piping for the Internet: the routers, LAN switches, dial-up access services, and network management software. Cisco's current workforce is 24,000 worldwide, though the Cisco spokesperson tells us that the company expects to double this workforce in two years and to reach 70,000 employees in five years.

"We have existing and projected hiring needs for a range of workers—in marketing and sales, in administration and secretarial support, as well as more directly in information technology," the Cisco representative tells us. The main IT needs are for highly skilled software engineers and programmers. However, Cisco also has positions opening for IT workers with less sophisticated skills, particularly as network technicians installing and repairing the router systems.¹

Cisco sees a big enough job market in these technician positions that it has gone into the business of training them for careers with Cisco. Cisco Networking Academies are being set up throughout California (and around the world) to train workers to be Cisco Certified Network Associates (280 hours of training). No college degree is needed, only a high school degree. Upon training completion, a worker can step into a job as a network associate that can pay as much as \$38,000 per year.²

The job explosion at Cisco is repeated at other companies we visit on this day: eBay, Yahoo, Oracle. At eBay, the hiring is active, with over 100 workers hired since 1995. We meet in a small conference room with the "human resources department"—four women and men in their twenties, none of whom have been with the firm more than a few years.

At Yahoo, the hiring is almost frantic—1,200 employees in the Valley hired in four years.

On another trip to San Jose around the same time, we meet with a number of the other tech establishment firms: IBM, Selectron, Advanced Micro Devices. All project a healthy level of job expansion. At IBM, the manufacturing workforce continues to be reduced as manufacturing activity goes overseas. But IBM is adding more jobs in research, testing, and development and cannot find enough qualified workers, especially high-skilled programmers.³

Further, hiring is off the charts at dot-coms we contact in San Francisco and Oakland, notably Webvan. In the middle of 1999, Webvan, an online grocer, obtains \$275 million in venture capital funding—the biggest venture capital deal of the year. Webvan boasts an impressive investment team, headed by founder and CEO Louis Borders, founder of the Borders bookstore chain, and it promises to “reengineer the way people shop for groceries.” By November 1999, after its stock goes public, Webvan has a market value of \$7.9 billion. It also has more than 400 employees and is advertising for dozens of others, both in tech jobs (such as IT systems administrator, Windows IT engineer, and Unix engineer) and in nontech jobs (such as manager of station operations and merchandising assistant—the latter to handle the sorting, packing, and delivery of groceries). On its website, webvan.com, Webvan states that it is “committed to injecting vibrancy into its respective local market economies,” and in Oakland, the hub of its Bay Area operation, it already is one of the city’s largest employers.

The San Francisco Bay Area is ground zero in 1999 for the dot-com boom, and its employment figures reflect this. By December 1999, unemployment in San Francisco County, with a labor force of around 426,000 workers, is down to 10,300 people, or 2.4 percent. Throughout 2000, it continues to stay low—its average for the year is 2.8 percent, and in December it is still at 2.5 percent. Santa Clara County, the center of the tech establishment, sees even more dramatic unemployment declines. Santa Clara County has the largest workforce in the Bay Area, with nearly 1 million workers. In December 1999, county unemployment stands at an unprecedented low of 2.2 percent (24,900 persons unemployed out of a workforce of 981,200). Throughout 2000, the unemployment rate continues to stay low and even to decline. By May, it has reached 2.0 percent, and by November 1.5 percent. At the end of

December 2000, the county unemployment rate stands at 1.3 percent, with only 13,500 persons unemployed out of a labor force of 1.02 million.⁴

December 2001: By December 2001, the unemployment picture in Santa Clara County has shifted dramatically. The unemployment rate stands at 6.3 percent, having risen steadily through the year: 3.4 percent in May, 5.8 percent in August, and 6.9 percent in November. Unemployment in San Francisco County, too, has risen steadily, reaching 4.6 percent in May, 6.1 percent in August, and 6.6 percent in November.⁵

On July 10, 2001, two years after its record venture capital investment, Webvan closes down. It ran through around \$1.2 billion in investment and laid off nearly all of its workforce, which had grown in 2000 to more than 500. Webvan's demise followed closely that of other on-line retailing firms in California and throughout the nation. On March 7, eToys, a Santa Monica-based retailer once valued at \$10 billion, went out of business. San Francisco-based Pets.com, a firm selling pet food and other pet goods on-line, closed in late 2000, after losing more than \$147 million and letting go its employees. Another of the major dot-coms in the Silicon Valley, Excite@Home, laid off 250 workers early in 2001—having lost \$10 billion since 1995—and by 2002, the company was no longer in existence.

The job cuts spread to other technology firms, including technology firms that in 1999 and 2000 seemed impervious to layoffs. On March 10, 2001, mighty Cisco Systems announced it was laying off 11 percent of its workforce. A year before, Cisco stock had been worth \$446.5 billion, and on March 10, 2001, it was valued at \$164.2 billion. Cisco had 16,000 employees in Silicon Valley in January 2001, and by December 2001 that number had declined to not quite 12,000. Other major technology firms in Silicon Valley announced big job layoffs in 2001, including 3Com, 1,300 workers laid off; Agilent, 2,200 workers; Applied Materials, 700 workers; Compaq, 340 workers; Flextronics, 580 workers; Maxtor, 900 workers; and Selectron, 3,000 workers.⁶

By late 2000, when the dot-com bust was complete, many of the workers who had come to Silicon Valley and to the San Francisco Bay Area for dot-com jobs had departed. The labor forces of both counties actually declined in 2001–2002. The labor force of Santa Clara County, which had stood at 1.26 million in December 2000, was down to

991,400 in September 2002. The labor force of San Francisco County, 440,000 in December 2000, was down to 429,600 in September 2002.

Unemployment continued through 2002 at the high levels of 2001. The unemployment rate in Santa Clara remained above 7.5 percent for most of 2002, climbing to 7.9 percent in October. Similarly, in San Francisco, the unemployment rate throughout 2002 remained above 6.7 percent. Figure 10.1 shows the sharp drop in unemployment in the technology counties of Santa Clara and San Francisco in 1999 and 2000 and the sharp rise in unemployment in 2001–2002.⁷

Yet even with the bust, the technology sector remained, in Silicon Valley and throughout the state, a major source of jobs. Moreover, it was ahead of its pre-1999 employment numbers. Among Valley technology firms, there were several, particularly the successful dot-coms, that grew considerably between 1999 and 2002. Others, although they

Figure 10.1 Monthly Unemployment Rates in California and the Santa Clara and San Francisco MSAs, January 1997–February 2003 (%)

SOURCE: Unpublished data from California Employment Development Department.

did experience major job cutbacks in 2000, actually saw their total employment grow between early 1999 and the start of 2002.

Table 10.1, compiled by the North Valley (NOVA) Job Training Consortium staff, shows employment at selected Silicon Valley firms between 1999 and 2002. Among the big gainers were eBay, which reported 138 employees at the end of 1999 and had increased to 2,560 employees by the end of 2001, and Yahoo, which had 803 employees in 1999 and 3,000 at the end of 2001. Cisco and Oracle, which implemented major cutbacks in 2001, still showed a gain in employees between 1999 and 2002.

In 1997, Santa Clara County had 926,600 total jobs and approximately 185,000 jobs in the technology sector. In 2002, the technology sector had 193,400 jobs, down from the 1999 and 2000 totals of more than 200,000 jobs but still above the pre-boom 1997 total. Further, the projections pointed to increased growth in these sectors. Mike Curran, executive director of NOVA, which oversees government job training and job placement programs for most of Santa Clara County, says that

Table 10.1 Employment at Selected Silicon Valley Technology Firms, 1999 and 2002

Employer	Year founded	1999 employment	2002 employment
eBay	1995	138	2,560
Cisco	1984	31,000	36,000
Silicon Graphics	1982	9,300	4,443
Quantum	1980	6,200	3,100
Adobe Systems Inc.	1982	2,800	3,029
Webvan	1996	414	4,201 ^a
Juniper Networks Inc.	1996	335 ^a	1,227
Excite@Home	1994	693	0
Yahoo Inc.	1995	803	3,000
Palm	1999	652	1,171
3Com	1979	12,920	4,615
Oracle	1977	43,000	42,006

^aIn 2000.

SOURCE: Unpublished data from North Valley Job Training Consortium.

the boom-turned-bust obscured the steady growth of technology employment over those years. “There were the employment ups and then the employment downs of the period between 1999 and 2002,” Curran says, “but when the dust settled, tech employment was ahead of where it was at the start, with projections for continued growth.”

But if there was steady underlying growth, why was the tech market so volatile? “What goes up at Internet speed, can go down at Internet speed,” notes Curran. “The job growth we experienced in the late 1990s was explosive and proved to be unsustainable. However, even with the massive job and city revenue losses we experienced, the ‘straight-line’ plotting of job growth and employment would have a pretty constant increase from 1993 to 2003.”⁸

PART 2: THE FUTURE OF TECHNOLOGY JOBS, ESPECIALLY IN NON-IT FIRMS, AND THE PLACE OF TECHNOLOGY JOBS AS A TRAINING NICHE

To speak today of technology jobs (or, as they are often referred to, Information Technology or IT jobs) is to speak of a wide variety of jobs in a wide variety of firms. A good number of these jobs are in information technology firms, such as Cisco or Silicon Graphics or Intel, whose major business is conducted in sectors characterized by EDD’s Labor Market Information Division as “high tech”—computer-related services, communications equipment, high-tech manufacturing (computer and office equipment, communications equipment, electronic components), and engineering/research and testing services. Projections for employment in these sectors are strong. As shown in Table 10.2, California had 1.4 million workers in these fields in 2000, and 1.88 million are projected for 2010.⁹

Even greater growth is projected, though, for IT jobs in non-IT firms. The majority of IT jobs today are in nontechnology firms. They are in banks or insurance companies or government agencies. These jobs develop and maintain the system software and hardware; that is, the jobs develop and maintain the company’s internal and external networks, or on-line services, or Web sites, or hundreds of other company activities related to computerized activities or the Internet. The projec-

Table 10.2 Technology Employment in California, 2002 and 2010 (projected)

Industry	SIC	2002	2010	Change ^a	Percent change ^a
High tech manufacturing					
Computer and office equipment	357	96,300	105,100	8,800	9.1
Communications equipment	366	43,500	46,300	2,800	6.4
Electronic components	367	164,500	177,500	13,000	7.9
Search and navigation equipment	381	48,600	53,900	5,300	10.9
Measuring and control devices	382	68,500	71,700	3,200	4.7
Communication services					
Communications	48	194,300	207,100	12,800	6.6
Telephone communications	481	131,188	139,800	8,612	6.6
Telegraph and other communications	482	1,602	1,707	105	6.6
Radio and television broadcasting	483	30,757	32,776	2,019	6.6
Cable and other pay TV services	484	26,347	28,076	1,729	6.6
Communications services, NEC	489	4,406	4,696	290	6.6
Computer-related services					
Computer and data processing services	737	373,300	692,700	319,400	85.6
Other professional services					
Engineering and architectural services	871	123,006	163,919	40,913	33.3
Research and testing services	873	113,434	159,732	46,298	40.8

^aProjected.

SOURCE: Unpublished data from California Employment Development Department.

tions for growth in these jobs are even greater than in the technology sectors—an estimated three to four times the demand for IT workers in IT companies.

Each April, the Information Technology Association of America (ITAA), the industry association, oversees a survey of hiring managers at major companies throughout the country and makes a broad estimate of job openings in IT. In April 2000, the ITAA trumpeted a forecast that there would be a demand for 1.6 million new IT workers in the upcoming year. By April 2001, this number had dropped to 840,000, but in April 2002 the projection was back up to 1.1 million (ITAA 2002).¹⁰

In its 2000 report, ITAA noted the growth of IT jobs in non-IT firms and estimated that by the end of 2000, around 60 percent of all IT jobs would be in non-IT firms. Within four years, though, this percentage had jumped dramatically. In its September 2004 report, ITAA estimated that non-IT companies represented fully 79 percent of employment for IT workers. ITAA explained that “despite popular fears over job loss to outsourcing and globalization, companies in industries like banking, finance, manufacturing, food service and transportation continue to provide the lion’s share of employment of IT workers.” ITAA estimated that 89 percent of the new IT jobs added in 2004 were added by non-IT companies (ITAA 2004, p. 7).

Among the IT jobs, one subset is most relevant to employment of officials, as it consists of decent paying jobs available to workers without college degrees. At EDD, as noted in Chapter 2, we came to call these jobs the new-technician jobs. They include the positions of field service technician, telecommunications technician, customer service technician, and multimedia technician. These jobs have three key characteristics:

- They pay decent wages. Most start at \$12 to \$14 an hour and have grades of advancement to \$17 or \$18 an hour.
- They rarely require a college degree, or, in fact, any college training. Instead they require skills that can be taught in targeted courses ranging from four to nine months or learned on the job.
- They are within the reach of workers with ninth grade math and reading levels.

David Gruber, a workforce training specialist, has been a leader in training for these new-technician jobs. He characterizes these jobs as

being a promising area for job training given “their open entry, training that is relatively short term, and opportunities for career mobility for some.”¹¹

According to both EDD and USDOL estimates, the support jobs are among the fastest growing IT jobs.¹² EDD projections, shown in Table 10.3, are for the position of computer support specialist to grow by 74,800 jobs between 2000 and 2010, the largest growth next to that of computer software engineers/applications, which is projected to grow by 80,200 jobs. The related job of network and computer systems administrator is projected to grow by 30,900 jobs. We came to think of these new-technician jobs as a successor to the disappearing union manufacturing jobs in California. These manufacturing jobs had provided the middle level of jobs that enabled Californians without advanced degrees to earn a middle-income life.

In early 2000, the governor launched Techforce, an initiative designed to provide funds for new-technician training. Techforce sought out training projects with a good understanding of the IT industry (or subsectors of it), a close working relationship with employers, and an eye for how the IT industry is rapidly changing and what impact it is having on the demand side of the labor market.

The Experience of Two “Boutique” Training Agencies

Among the better new-technician trainings Techforce funded in the first two years were several smaller scale or “boutique” training agencies, including Invercity in Oakland-Emerlyville and the Bay Area Video Coalition (BAVC) in San Francisco, both of which specialized in subsectors of the IT job market.

Invercity focused on customer service or call center technicians—the workers operating primarily out of call centers who answer the phone when a business or an individual cannot get a computer to function. The jobs usually start at \$11–\$12 an hour and have grades of advancement to \$13–\$15 an hour. The Invercity training is 250 hours over an eight-week period, providing a mix of classroom and hands-on, of computer fundamentals, digital theory, hardware and software architectures. The trainees are low-income adults who qualify for government training funds, including welfare recipients.

Table 10.3 Selected Technology Jobs in California, 2002 and 2010 (projected)

Occupational title	Annual average		Numerical increase	Percent increase	Openings due to separations
	2002	2010			
Computer programmer	78,600	92,700	14,100	17.9	18,000
Computer software engineer, application	72,600	152,800	80,200	110.5	7,500
Computer software engineer, systems software	52,300	100,700	48,400	92.5	5,100
Computer support specialist	68,600	143,400	74,800	109.0	4,500
Computer systems analyst	51,600	82,800	31,200	60.5	5,900
Database administrator	14,400	24,800	10,400	72.2	800
Network and computer systems administrator	32,200	63,100	30,900	96.0	2,000
Network systems and data communications analyst	15,300	29,300	14,000	91.5	900
Computer specialist, all other	19,700	30,200	10,500	53.3	2,200

SOURCE: Unpublished data from California Employment Development Department.

Invercity's founders, Gordon Lavigne and Kern Schireson, both men in their twenties with backgrounds in IT firms, have developed close working relations with East Bay companies—such as Mindpsring Enterprises, NonStopNet, and Etinum Inc.—that contract to handle computer maintenance and troubleshooting. Lavigne and Schireson have developed a niche market with these companies; they understand the skills needed by employees, and they tailor training to acquire these skills.

In September 2000, the call center business is very good, and Lavigne comes to EDD seeking additional Techforce funds. “We now train around 125 persons a year, but we could train easily five or six times this amount,” he claims, citing the growth of this industry model of subcontracting maintenance. Lavigne and Schireson also propose to EDD the development of an Invercity call center that can serve as a training ground for apprentice call center technicians while generating revenue to support the training.¹³

By 2002, Invercity has discontinued operations, and Lavigne and Schireson are back with private sector technology firms. The frustrations of dealing with government and chasing government funds, combined with opportunities elsewhere, drove them out of the field. The call center market has declined, but there is still demand for the technician positions, and the call center training has been taken up by a consortium of training agencies in Oakland that combine to do new-technician training.

BAVC focuses on the jobs of Web designer, Web technician, and assistant Webmaster. Located on the corner of Mariposa and Bryant streets in San Francisco's South of Market area, BAVC in 1999 and 2000 targeted job placements in the nearby dot-com firms, including Quokka.com (a firm streaming video of sports events and selling sports goods on-line), Macromedia, Pets.com, and Dotcomix. The BAVC training lasts for 480 hours over 16 weeks and involves the major software applications—HTML, JavaScript, CGI—used in Web design and maintenance. During 1999 and 2000, BAVC placed around 200 adults in Web-related and “new media” jobs.

By 2002, many of the employers who had taken BAVC trainees are out of business—Quokka.com, Pets.com, Dotcomix, and Kitchen Media have all shut down. BAVC training continues, but its job placements have shifted to Web maintenance and information jobs in media com-

panies and nontech Old Economy firms. According to Tamara Gould, BAVC's executive director,

Job placements are more difficult today than in 2000, as our graduates are competing with tech professionals who have a lot more experience and are willing to take technician jobs. However, we're still able to make placements, and there's still a market for digital media skills, mainly in media companies, such as video production and editing companies, and in Web management in non-IT firms. Some of our recent placements are in Web design at Pacific Gas and Electric, in tech writing at Abgenix, a biotech firm, and at Gap Online. We still do placements in dot-coms that did survive, like Macromedia, eTrade, and CNET, but [placements in non-IT firms] are the majority of jobs.¹⁴

Regional IT Career Ladder Consortia

Beyond the boutiques of Invercity and BAVC are three more extensive new-technician training projects in California, created by David Gruber and his colleagues at the Workforce Strategy Center in San Francisco. The projects, known as the Regional IT Career Ladder Consortia, are located in the East Bay (Oakland), San Francisco, and Los Angeles. They offer job seekers the option of training in a number of the new-technician positions such as call center tech or computer support tech, as well as options for remedial math and reading if the job seeker is below the ninth grade level. They also offer upgrade training for workers who have been performing well in the technician jobs and want to advance.

The projects all follow a similar model, set out in Figure 10.2, which diagrams the Los Angeles consortium. The model has five components: 1) assessment of skills; 2) 100–150 hours of math and literacy training for workers between the sixth and ninth grade levels; 3) 300 hours of training in A+ certification, customer service, and employability skills; 4) placement into new-technician jobs; and 5) upgrade training for workers in technician positions. The Los Angeles training is open to workers who are unemployed or are earning less than 200 percent of the poverty level.

The Los Angeles consortium is focusing on new-technician jobs in Old Economy firms, particularly those at banks, at large retail firms, and in government, including the Los Angeles Unified School District

Figure 10.2 The Los Angeles Regional IT Career Ladder System

SOURCE: Unpublished diagram provided by David Gruber, Workforce Strategy Center, San Francisco.

(LAUSD) and the Los Angeles Department of Water and Power (DWP). Caz Pereira of the Workforce Strategy Center notes that DWP has an estimated 270 computer technician jobs and LAUSD around 400 computer technician jobs, reflecting their workforces' growing computer use and need for troubleshooting. "The school district estimates a need of one technician for each 250–350 computers to keep up, or around 400 technician jobs, personal computer technicians, and network technicians," Pereira says. "LAUSD provides a larger new-technician job base than most technology firms."

Job training for computer tech jobs is sometimes oversold as a remedy for joblessness. Only a small fraction of the low-skilled, low-income unemployed—less than 3 percent—can be trained at any one time for new-technician jobs. Combined government training funds, including federal Workforce Investment Act funds and Welfare-to-Work funds, trained around 4,000 Californians for new-technician positions in 2002—not a large part of the more than 1 million unemployed on any given day in California, and not even a large part of the low-income unemployed.

At the same time, new-technician training represents a significant niche for practitioners. The training can be done in a period of less than six to nine months, entry does not require advanced math or science, and the jobs pay a decent wage. While technology employment will have periods of boom and bust in the future, as it has in the recent past, these new-technician jobs will continue to experience steady growth.

Notes

1. Michael McNeal, director of corporate employment at Cisco, complained to ABC Television in October 1999 of the difficulty of finding workers and the need to "think outside the box" to attract qualified employees. Cisco had gone so far as to recruit at the Santa Clara Home and Garden Show, using that event as a location to meet qualified workers.
2. Throughout the 1990s, Cisco set up an extensive network of Cisco Academies at community colleges, adult education programs, and school districts as well as at nonprofit training agencies. By November 2002, there were more than 9,000 Cisco Academies across the United States and worldwide—484 in California alone. In the San Francisco Bay Area, Mission College started a Cisco Academy in 1999 and enrolled 1,200 students that year, 2,300 in 2001, and 2,200 in 2002. Of the 2,300 students enrolled in 2001, 550 graduated, having earned a network

administrator certificate. Foothill Community College established a Cisco Academy in 2002, enrolling 50 students. The skill level of the students varied from individuals just entering the technology field to individuals who were experienced and sought to upgrade their skills and knowledge. An estimated 50–60 percent of the enrollees were unemployed; the remainder were incumbent workers seeking to upgrade skills.

3. Libby Freeman, IBM representative, meeting with the author, November 2, 1999.
4. Joint Venture: Silicon Valley Network, a research group in Santa Clara, issued several well-publicized reports in 1999 and 2000 noting the difficulty of tech firms in finding workers and the thousands of tech jobs going unfilled because of a shortage of trained tech workers.
5. Figures for the previous two paragraphs come from “Selected Monthly Unemployment Rates for California Counties,” by the Labor Market Information Division of EDD, 2001.
6. Silicon Valley Workforce Investment Network, “Santa Clara Monthly Stats Fact Sheet,” March 2002.

The tech job decline was most pronounced in the San Francisco Bay Area but occurred throughout the state. Thomas Kupper of the *San Diego Union-Tribune* tracked the value of 38 San Diego companies that went public from 1997 to 2000, most of them high-tech or biotechnology firms. Combined, they had raised \$2.4 billion in initial public offerings. Kupper found that the companies still trading in 2002 were down an average of 36 percent from their initial prices and 93 percent from their peak prices.

In January 2002, the Bay Area Council, an economic development association, released “After the Bubble: Sustaining Economic Prosperity.” The report noted a net migration into the Bay Area of 200,000 people between 1996 and 2000 compared to a 35,000 net migration between 1991 and 1995, and an employment increase of 660,000 jobs between 1996 and 2000 compared to an increase of 120,000 jobs between 1991 and 1995 (Bay Area Council 2002).

7. EDD, Labor Market Information Division, “Selected Monthly Unemployment Rates for California Counties,” 2002.
8. Curran notes in a November 27, 2002, e-mail that for tech workers, the job market today is a far cry from what it was in 1999:

Where a tech writer, for example, might have multiple job offers in 1999, by 2002 she or he might send out a resume to 40 firms with only a few responses. Hiring is still proceeding, and some unemployed workers have no trouble, but the firms are far more selective. After losing their jobs, more Valley workers are looking for the security of employment in the public sector. As the dreams of immediate wealth through stock options and IPOs have disappeared, the reality of a little savings for retirement and long-term health care have caused workers to rethink their career strategies. Three years ago if we posted a job for an analyst, we would have a handful of applicants; today we have hundreds.

9. Though projections were for significant tech employment growth, there were disturbing signs in 2002, particularly the movement of programming jobs offshore. As *Los Angeles Times* employment reporters Evelyn Iritani and Marla Dickerson noted, for some time California tech companies had been shipping manufacturing jobs offshore, and this trend continued in 2002. Adding to it, though, was the exodus of call center jobs and programming jobs. According to Iritani and Dickerson, a growing number of firms, including Dell Computer, General Electric, and Citibank, had shifted call centers and other information technology service operations overseas, particularly to India, China, and Russia, to cut costs (Iritani and Dickerson 2002).
10. ITAA contracts with Market Decisions Corp. of Portland, Oregon, which conducted telephone interviews with 532 hiring managers selected at random from IT and non-IT companies. ITAA (2002) claims that results have a sampling variance of ± 3.6 percent at the 90 percent confidence level.
11. David Gruber, interview with the author, San Francisco, 2002.
12. A research project conducted by David Gruber and Manpower-San Jose found that for the week of April 23, 2001, there were 525 unfilled entry-level technician positions within a 50-mile radius of San Jose, including 190 technicians, 206 in technical support, 46 at the help desk, 47 in network administration, and 36 personal computer technicians.
13. Gordon Lavigne, presentation to EDD, San Francisco, September 2000.
14. Tamara Gould, interview with the author, San Francisco, 2002.

11

Principle Nine: Affinity Groups

The Best Antipoverty Efforts Go Beyond Government Programs

PART 1: THE IDEA BEHIND THE FAMILY INDEPENDENCE INITIATIVE AND ITS NONGOVERNMENTAL APPROACH

On a Friday in October 2000, the heads of major California foundations, state departments, and local governments gather in the conference room of Oakland Mayor Jerry Brown. The subject is a new project that Brown is sponsoring, the Family Independence Initiative, or, as it comes to be called, 200 Families Out of Poverty. It has typical Jerry Brown themes: get rid of bureaucracy, cut out the poverty administrators, and have poor people do things for themselves.

Brown had moved to Oakland in 1995. Soon after his arrival, he buys a warehouse near Jack London Square and turns it into a secular monastery, headquarters for his We the People organization as well as a cluster of spartan living quarters for himself and several others. He throws himself into local projects, including starting a food co-op and community gardens and organizing to keep Kaiser, the health care giant, from moving out of Oakland. In 1997, he runs for mayor and is elected overwhelmingly.

Antipoverty programs need to change, Brown argues during the campaign and upon taking office. Too much of the money goes to program administrators and staff and too little to poor people. The persons who benefit most from antipoverty programs often are those who get jobs helping to run the program, not others among the poor.

In early 1999, Brown hears about a youth employment initiative of the Clinton administration that has promised to allocate \$10 million to Oakland. Most of the \$10 million, though, is going to hire 129 program staff and case managers and to provide office space for them. Brown calls Maurice Lim Miller, then a member of the Private Industry

Council of San Francisco, to protest that the youth don't seem to be benefiting.¹

"He called and asked why I supported using the grant money for staff. I said I agreed with him," Miller recalls. "And further, [I said] that over the years I had become increasingly uncomfortable with government programs. I told him about HUD programs in West Oakland that bore [a] subsidy of \$137,000 per family dwelling, when for half that amount, a family could put a down payment on a home. He asked whether I had any ideas for getting more of the antipoverty money to poor people, and I told him that I would come back with a proposal."²

Miller, in 1999, is an unlikely critic of government programs. In 1978, after training as an engineer, Miller goes to work at a small community-based training agency, Asian Neighborhood Design (AND). Over the next two decades, he builds AND into a nationally recognized model of effective job training—so well known that he sits in the president's box for Bill Clinton's State of the Union address in 1999.

Yet even as he is achieving this recognition, Miller comes to see government antipoverty efforts as wrongly structured, both in their spending of funds (for administration, case managers, and program consultants) and in their view of poor people as needing care. Too often, the emphasis is on signing up low-income Californians for this or that benefit, and not on developing families' ability and initiative to solve their own problems.

In the months after his conversation with Jerry Brown, Miller designs an antipoverty nonprogram approach that draws heavily on the experience of his own family—immigrants from the Philippines and Mexico—and that of other immigrant families he grew up with. They did not go to government programs. Instead, they usually took low-wage jobs or engaged in microenterprises to get started economically. They pooled resources, not only among members of a family, but also among families. Miller dubs this combination of families an *affinity group*—a group linked by shared trust and by mutuality.

Miller envisions poor families in Oakland working together in affinity groups on economic advancement: striving for asset accumulation through savings accounts and home ownership, steady employment, and education for themselves and their children. The effort would start with three or four groups of families and expand over time to additional affinity groups. The effectiveness of the effort would be measured not

by process items like services rendered but by how many of the families were able to move above the poverty line and get off of all government subsidy programs.

In 2000, Mayor Brown assembles the gathering described in the opening to this chapter, calling it the Family Independence Initiative (FII) Commission. Its members' job is to review Miller's ideas. Like Miller, most of the women and men around the table have been involved in the antipoverty fight through government programs for 20 years or more and have risen to top positions in government and foundations. As we go around the table, though, nearly all confess to being increasingly skeptical of the government services approach.

Michael Howe, president of the East Bay Community Foundation, cites Marin City, a low-income, largely African American community in otherwise-affluent Marin County, as exemplifying the limits of a government services approach. Millions of dollars have been poured into Marin City to nonprofits providing economic development, employment, or housing services—an estimated \$100,000 per family—and yet the families served are not achieving economic self-sufficiency. “The families received a lot of services, but did not find their own pathways to self-sufficiency,” Howe says.³

PART 2: FII IDENTIFIES FOUR AFFINITY GROUPS BASED ON ETHNICITY

Encouraged by the commission's response, Miller resigns from Asian Neighborhood Design after heading it for 22 years and goes to work full time for FII as executive director. The goal becomes to get 200 Oakland families, near or below the poverty line when they enrolled, to increase their family income and especially their financial assets and get off of all government programs—hence the unofficial name 200 Families Out of Poverty.

Miller and other FII staff began recruiting families in 2001. They told prospective families that FII was a different type of antipoverty effort, one that relied on families working with one another to get out of poverty. FII would provide the families with contacts, help them to build savings accounts, and offer small bonuses—up to \$3,000—to be

earned by the families through the actions they took. On their end, the families were expected to divulge all of their financial information to FII and to take concrete steps to change their financial situation.

"This became our key criterion: whether a family was committed to taking measures toward economic self-sufficiency," Miller explains. "Some families or individuals we spoke to were interested in earning the \$3,000 but were not sufficiently committed to economic self-sufficiency; they were not willing or in a position to make the serious effort. Other families did not seem sufficiently committed to working with [their affinity group] families, a key FII component."⁴

To identify viable prospects, Miller first went to agencies that worked with the poor in Oakland. Catholic Worker told him about two Salvadoran families that might make good candidates: although they were poor, they took an active part in community affairs. Miller visited the two families, who recommended four other families—all from the same village in El Salvador. These six families became FII's first affinity group.

While at Asian Neighborhood Design, Miller had become acquainted with members of the Iu Mien community. The Iu Mien had come to Oakland from Laos over the past 20 years. In their native Laos, they had been peasant farmers for the most part, barely literate in their own language. In the United States, these barriers continued: they were set apart from other immigrant groups in that they had a high welfare rate—more than 60 percent of Iu Mien families remained on welfare.

In Oakland, much of this Laotian community was involved with the Iu Mien Cultural Center, so the pool of families had social ties: although they had not worked together on projects, they knew each other from community events. These connections gave rise to a second affinity group, this one consisting of 11 Iu Mien families.

By the end of that year, two African American groups had also formed. FII had experienced several false starts with African American groups that did not coalesce, but then its staff assembled one affinity group of six families and another of seven families. These became known as the East Oakland group and the West Oakland group according to where their members lived, although there had been no attempt to organize them by neighborhood.

The East Oakland group was started by one woman, who brought in four families she had met through a drug recovery program they had all

attended. The West Oakland group—similar to the Iu Mien group—revolved around an ethnic cultural association: one family that belonged to an Afrocentric cultural association recruited others it knew through that organization.

Thus, each of the four affinity groups consisted of a single ethnic or racial group. “This reflects the reality in America today,” Miller says, “that though some affinity groups are based around religion or neighborhood or shared background, the great majority are by ethnicity.”⁵

PART 3: THE AFFINITY GROUPS PURSUE DIFFERENT ECONOMIC STRATEGIES

During 2002 and 2003, the four groups take different financial paths, which are closely tracked by FII researchers. Family behavior is followed on five indices: 1) net worth and savings, 2) income, 3) job and job security, 4) education, and 5) home ownership. FII staff meet regularly with the families to discuss strategies for economic self-sufficiency.

1. The Salvadoran affinity group. The Salvadoran group, the first formed (in July 2001), is active early on in home ownership. FII links the group to the local Habitat for Humanity, which assists families in building their own homes. Habitat chooses two Salvadoran families, and a third one borrows to put a down payment on a home—FII assists only with preparing the closing documents. More than any other factor, seeing these three families purchase homes spurs increased savings and income among the other families in the group. The Salvadoran adults work primarily in jobs as nonunion landscapers, janitors, and housecleaners. Over the two years, the family incomes increase mainly through the adults working additional hours or second jobs or starting a side business. All of the families open Individual Development Accounts (IDAs), and the group organizes several sessions on financial management.⁶

2. The Iu Mien affinity group. The Iu Mien, who make up the second group formed, have 14 working adults, employed in light industry

and janitorial. Upon enrollment, the families meet together and write the following objective: "We all share the same goals. We all want to be able to buy a home or open a small business, and to save enough money for our children's college tuitions and expenses so that they can pursue their educational goals." According to FII data, all of the families in this group open IDAs, and their work hours increase. The group thinks intergenerationally and sees the payoffs as occurring in their children's lives. "The adults in this group do not see themselves as advancing in education or starting businesses, but want to save money for the next generation," FII researchers note.⁷

3. The West Oakland African American affinity group. The West Oakland group enters FII with considerable personal debt and with negative net worth. According to FII notes, "More than any of the other groups, the members of this group set personal and group goals of cleaning up credit records, debt and liens."⁸ Group members individually set strategies to increase income. One member owes child-support payments and other debt. Over time, he is persuaded to stop evading the debt and work with a financial counselor to address it. His only means of support has been a part-time drop-out-prevention project for middle school students. In an attempt to expand his ability to generate income, he enrolls in a series of community college courses. Another member enrolls in a community college course on how to write a business plan. She envisions starting a business venture in which she would sell beauty products. A third member, who has a job with the county health department, tries to earn extra income by doing contract work on AIDS prevention. Meanwhile, the group as a whole seeks to develop the Ma'arij Urban Day Spa and Community Healing Center as a collective business venture.

4. The East Oakland African American affinity group. The East Oakland group experiences less economic gain than the others during the two years, reflecting personal upheavals among the families. Two young women with children in this group, who were in their own households when FII started, move back with their mothers within the year and undertake little economic activity. Still, there are some economic efforts among the group: a promotion at work, an attempt to formalize

and grow a small catering operation, an attempt at expanding a fledgling halfway-house business, a down payment on a house.

PART 4: PRELIMINARY FII IMPACT

In June 2003, it is still too early to reach conclusions about the impact of FII. FII data in Figure 11.1 show families' increases in net worth and savings averaging over 50 percent in the first 12–18 months of program participation. These sharp gains, though, in part reflect the low net-worth and savings levels the families had on entering the program. They also reflect the role of the IDAs in matching participant savings with foundation funds. Further, whether these gains, and the income gains, are sustainable remains to be determined.

Yet, even if it is difficult to quantify, the project has spurred low-income individuals and families to a new level of economic activity. A lot of that activity, particularly the business development efforts, may not succeed. However, other initial impacts are clearer: home ownership among participants is greater than it would have been without FII, as are savings rates and work hours. These impacts are brought about not by new government services, but by heightened effort on the part of the families.

In an April 2003 report to the FII Commission, Miller states that “both I and staff feel confident that 70–80 percent of families now participating will become principally self-sufficient within the next two to three years. As with any goal, the primary factor is wanting something enough, and we think that FII has given the families a realizable hope that their vision can come true. FII has given families a sense that they can press to make a big change in their lives and it can make a difference.”

This seems to me to get it right. The antipoverty added-value of FII is threefold: improved economic decision making by the families through FII referrals; improved economic decision making through vetting ideas among the family group; and, most of all, increased effort by participants, both through individual motivation and through the support of the family group. In his report Miller points out that “incomes, savings, [and] new networks had stayed flat for over 80 percent of fami-

Figure 11.1 Income, Net Worth, and Savings Increases for FII Participants for the 12–18 Months Following Program Enrollment

Figure 11.1 (continued)

Figure 11.1 (continued)

NOTE: Participants enrolled between July 2001 and December 2001. Data, prepared by FII, does not distinguish among different lengths of program participation.

SOURCE: Unpublished data provided by Maurice Miller and Marisa Castuera of the Family Independence Initiative.

lies before FII. Our tracking system has data for four months prior to families getting their first awards; incomes showed no progress, and net worth actually went down by 4.8 percent.”

As of mid-2003, FII planned to continue the four family affinity groups and, in the fall of 2003, to launch its next phase. This phase was to enroll 75 families in Oakland who were receiving welfare payments under the state’s welfare system, CalWORKs. Its goal: moving them to self-sufficiency. The families were to include a mix of the employed (working but earning below the poverty line) and the unemployed. The families were to self-associate, choosing their own affinity groups. This next phase was to prove most telling, as the families would start with even fewer assets, less income, and less community involvement.

FII also planned to continue to collect detailed financial information from new and ongoing families on a regular basis. The information gathered so far confirms what other studies on low-income families have shown: 1) the resourcefulness of many low-income families, 2) the undercounting of official government income figures (which miss income generated in the informal economy), and 3) the ability of the families to efficiently meet child care, housing, and transportation needs at far lower cost than government programs.

FII uses the term *social capital* to describe the networks and social connections that enable resourceful FII families to get by in the high-cost San Francisco Bay Area. Table 11.1 is a case study of an FII family, prepared by Miller and his FII colleague Marisa Castuera to illustrate the role of social capital. The family has been in the United States for 11 years and is part of the Salvadoran affinity group. According to *The Self-Sufficiency Standard for California* (Pearce and Brooks 2000), developed by antipoverty advocacy groups, this family needs at least \$4,292 a month to live in the San Francisco Bay Area.⁹ But the family’s actual expenses are \$2,607—far less than the standard sets out. The expenses are reduced through child care provided by a grandmother, through the family helping their landlord on house maintenance, and through partial government subsidies of health care and transportation costs. The family’s official income is \$2,050 per month, but its true income is \$4,600, taking into account off-the-books side jobs in housekeeping and gardening.

Castuera and Miller write in their case study that “while government subsidies are necessary to keep health care and other expenses

Table 11.1 The Economic Value of Social Capital: How an FII Family Achieves Savings with Official Income below the Self-Sufficiency Standard (all columns in \$)

Monthly expenses	Official cost of living ^a	Actual expenses	Difference	Explanation of difference	Value of social capital	Value of government support
Housing/utilities	1,263	640	+623	Same apartment for 8 years, friends with owner	623	0
Child care ^b	1,587	833	+754	Grandmother provides after-school care	754	0
Food	607	400	+207	Offset by government subsidy	0	50
Transportation	98	180	-82	Gas, maintenance, car insurance	0	0
Health care	347	50	+297	Insured through Medi-Cal and Healthy Families	0	297
Miscellaneous	390	504	-114		0	0
Total monthly expenses	4,292	2,607	+1,685		1,377	347
Monthly income	Official income	Actual income				
Female: part-time housekeeping	650	650	0			
Female: part-time work for cash	0	850	850	Side jobs through personal/professional connections	850	
Male: landscaping and gardening	1,400	1,400	0			
Male: part-time work for cash	0	1,000	1,000	Side jobs through personal/professional connections	1,000	
Child support for oldest child	400	400	0			
Earned Income Tax Credit (EITC)	0	300	300		0	300
Total monthly income	2,450	4,600	2,150	Side jobs through connections	1,850	300
Net balance	-1,842	+1,993		Total	3,227	647

NOTE: Blank = not applicable.

^aTaken from The *Self-Sufficiency Standard for California*, prepared for Californians for Family Economic Self-Sufficiency Project (Pearce and Brooks 2000).

^bFigures come from the Community Child Care Coordinating Council of Alameda County. Calculated using average monthly cost for in-home child care within the county.

SOURCE: Unpublished data provided by Maurice Miller and Marisa Castuera, Family Independence Initiative.

manageable for this family, their social capital is by far the most important contributor to their economic survival and future.” The family is saving toward the purchase of a home, and most of the undocumented income is being saved toward a down payment. The family has saved \$26,000 to date. “This family’s strategy toward independence is typical,” Miller and Castuera note.¹⁰

Miller and the FII Commission regard FII as a work in progress, undergoing periodic reevaluation as to which incentives—IDAs, home ownership, direct payments—best achieve the result of economic self-sufficiency. Already there is dispute about the direct payments. As constituted, FII allows families to earn up to \$3,000 per year (for two years) through a series of small payments for achievements in education (\$50 for enrolling in a skills training program or class), finances (\$50 for opening a savings account), and housing, among others. Miller justifies these payments as getting money into the hands of participants for their asset accumulation efforts, as well as for stimulating economically responsible behavior. Others on the commission, though, regard the direct payments as paying families for actions they should take on their own.

Further, the \$3,000 per family comes from private foundation funds. But already there is indication that the foundations, which prefer to generate new approaches but not provide ongoing funds, are looking to decrease their participation. For FII’s long-term operation, the commission must show that participating families are getting off of government benefit programs—welfare, Food Stamps, housing subsidies—resulting in government savings. A percentage of these savings might then be plowed back into FII.

PART 5: FII IN THE CONTEXT OF NEW ECONOMIC SELF-SUFFICIENCY INITIATIVES NATIONWIDE

FII follows a succession of antipoverty efforts over the past two decades that have sought alternatives to the government service model. It has elements of previous efforts—inner-city entrepreneurship, asset accumulation, and mutual support—even as it differs from these efforts in important ways.

In the late 1970s and the 1980s, many of us in the employment field were drawn to private sector entrepreneurship as a strategy both for job training groups and for low-income individuals. Business ventures for job training groups meant an alternative to dependence on government funds. Business ventures for low-income individuals meant new jobs being created, wider ownership, a stake in the free-market system, and economic self-sufficiency.

Between 1982 and 1984, San Francisco Renaissance, the job training agency I headed, started businesses in carpet cleaning, cable assembly, messenger service, and running a convenience store. In the first few years, we were excited about this approach, and I even wrote an article that appeared in the *Harvard Business Review* advocating it across the antipoverty world (Bernick 1984b). But over the next years, as the businesses did not create many jobs, and as we (like most other job training groups starting businesses) struggled to get these businesses to break even, the approach lost its luster. At EDD I discouraged this approach, except in rare cases.

At San Francisco Renaissance we also operated an entrepreneurship center to train aspiring entrepreneurs who had limited financial resources or who wanted to start businesses in the city's low-income areas. The Renaissance Entrepreneurship Center was one of a variety of attempts by government and community-based agencies during the 1980s to train or help finance inner-city and rural entrepreneurs. As these attempts, particularly the inner-city loan funds, have matured over the years, they have increased their professionalism and effectiveness, even if the number of businesses they reach is limited—100–200 businesses per fund.

FII takes a positive but cautious approach to entrepreneurship as a means to self-sufficiency. It relies on the families to come forward with business ideas and to request business training. FII provides some financing to new business ventures by its participants, but only through the IDAs, which require match financing from the participant's personal funds. FII gives a more prominent role in self-sufficiency to asset accumulation through IDAs, and nearly all of the FII families have opened IDAs. In this way, FII reflects the broader movement in the 1990s by foundations and community agencies to devise savings and asset accumulation strategies for the poor.

The IDA program was launched in the early 1990s, mainly through the auspices of the Corporation for Enterprise Development (CFED). During the 1980s, CFED had been at the forefront of entrepreneurship projects, and while it has not abandoned these projects, its focus (and the focus of its long-term chair, Robert E. Friedman) has become the IDAs. Between 1997 and 2001, CFED sponsored the major nationwide IDA demonstration, the Down Payments on The American Dream Policy Demonstration, which involved 13 community organizations operating 14 IDA programs that had 1,326 participants.

I meet with Friedman in July 2000 to discuss the governor's interest in self-sufficiency for TANF recipients. We consider possible changes in the state's Welfare and Institutions Code to allow TANF recipients to participate in IDAs. Friedman is enthusiastic about the IDA experience up to this point, noting that there are 250 IDA programs, either active or in development, and that 36 states have authorized IDAs in their TANF plans or through separate legislation. To Friedman, the IDA experience shows that with matching resources and motivation, the poor can increase savings rates and achieve a fuller stake in the market system, and he is committed to working on it full time.

FII differs from other IDA programs in its emphasis on the affinity group. FII tests whether, within the affinity group, families can be pulled along by one another in asset accumulation, sometimes through direct loan or contribution of resources, often through encouragement and modeling by the better-off families.

In April 2002, the Annie E. Casey Foundation asks Maurice Miller to speak in Chicago at its Family Support America Conference, a gathering of staff from nonprofits that provide services to low-income families—especially teen mothers, mothers on welfare, and homeless families. Although this group is part of the social service establishment, Miller's presentation draws an enthusiastic response. "This is the start of what could be an awesome national change in how families are helped," the pastor of an ethnic church writes. The executive director of a residential program for teen mothers declares that "two years is a great opportunity to really give the time and energy to bring these families to self-sufficiency instead of being 'poverty pimps.'" More than 20 participants request additional information or offer to host an FII site.¹¹

Miller, though, is slow to follow up, and a year later he has not seriously pursued site requests. He questions whether these service provid-

ers can make the leap and redirect resources from services. He believes that FII needs to show results in Oakland before adding sites. The enthusiasm at the conference and the attractiveness of economic self-sufficiency, control of resources, and affinity groups mean little unless the FII families show sustained economic gains over the next few years.

PART 6: PROJECT UPDATE—HOW FII HAS FARED OVER THE PAST TWO YEARS

By mid-2005, the FII families are showing mixed economic results, and FII is continuing to refine its design.¹² Three of the four original affinity groups are still in operation and are pursuing varied economic strategies of home ownership, savings accounts, and entrepreneurial ventures. Fifty-one new families have been enrolled in nine new affinity groups and are setting their economic strategies. An FII project has been established in Hawaii.

Twenty-one of the 24 families in the original four affinity groups have remained in contact with the FII staff. The families no longer receive funds for their participation—the \$3,000 that could be earned each year by each family was only for the first two years of participation. These families, though, continue to file reports on their income and net worth, and they continue to come to FII for contacts at financial institutions and public agencies.¹³

One of the two African American groups, the East Oakland group, has stopped functioning. Fragile from the start, the group dissolved in 2004, and only one of the families remains in contact with FII.

The other African American group, the West Oakland group, has continued to meet, carrying out individual financial goals and two major economic development projects. Several members of the group continue to plan an Afrocentric health center and spa. Other members are trying to develop an African American-themed residential and commercial project in West Oakland called Village Bottoms. One of the members has purchased property in the area, and the group envisions an area for African American entrepreneurs to cluster their businesses in.

The Salvadoran group remains together and maintains its focus on home ownership. Each of the six families now has purchased a home in

the East Bay. The families also continue their individual employment and their business efforts in home maintenance and nonunion landscaping.

Three families of the Iu Mien group have purchased homes, and home ownership has become a goal of the other families, along with income and savings. The group is focusing on a major collective project, an East Bay Iu Mien community center.

Overall, the FII data show that after three years, among the 21 families still in FII contact, household income since enrollment has increased 40 percent and household net worth 283 percent. The savings of the families have increased 64 percent—a drop from Year Two because more families spent savings to purchase a home in Year Three. Eleven of the families now own homes or property. Miller's revised estimate is that a third of the families are self-sufficient today, in mid-2005.¹⁴

The enrollment of new affinity groups, projected to take place in the fall of 2003, did not start until mid-2004. Only now, in mid-2005, are the nine groups, representing 51 families, enrolled and ready to start their participation. The groups are mainly based on ethnicity and are weighted to immigrant ethnicities. They include one Vietnamese affinity group, four Cambodian affinity groups, one new Iu Mien affinity group, and one African American affinity group. For the first time, there are two mixed ethnicity groups, one centered on a local community college. Over three-quarters of the families are CalWORKs families, meaning that they are receiving some form of public assistance.¹⁵

FII in mid-2005 is beginning a structured evaluation process of its first years by retaining an outside evaluator. Already, though, FII board members have started rethinking and refining the program design to increase the economic gains of participating families and to broaden the reach of program funds. For example, rather than allow families to earn \$3,000 in each of the first two years, perhaps FII should spread the \$6,000 per family over three or four years, thus encouraging longer-term collaborations. Perhaps the family funds should be reserved for the IDAs or for other savings and ownership activities. Perhaps the next participating groups should utilize a form of random assignment so that truer measurement might be made of any gains over a control group. What is important is that FII continues to evolve and that the FII staff and board are honest about results.

Honesty and the ability to build on these first years' experiences will be key if FII is to expand, both across Oakland and to other cities. Over the past three years, FII has demonstrated not only the interest of families in working together and in acquiring wealth, but also the hunger of practitioners and policymakers across the nation for alternatives to government antipoverty approaches. Maurice Miller did not follow up on some of the initial requests for FII sites in other cities. But the contacts from private foundations and practitioners continued, and in 2004, three private foundations combined to start a \$1 million FII project in Hawaii, for which Miller became a consultant. The cities of San Francisco and Denver are considering variants of FII. Intuitively, many practitioners and policymakers understand the power of tapping into the antipoverty values of families, especially when those families work together for employment and ownership.

Notes

1. The Private Industry Council of San Francisco offers no-cost employment training services to San Francisco employers and to job seekers who are low-income or laid-off workers, on public assistance, or homeless.
2. Maurice Miller, interview with the author, 2000.
3. Michael Howe, interview with the author, 2000.
4. Maurice Miller, interview with the author, June 2003.
5. Miller, 2003 interview. Of the original 30 families, some had incomes above the poverty threshold, though all were below 200 percent of the threshold.
6. IDA is a nationwide program that emerged in the 1990s to encourage low-income families to increase their assets. It matches deposits by the families on a one-to-one and even a two-to-one basis. The match funds have come mainly from private foundations. The money in the IDAs can be used only for certain asset-building activities—primarily home ownership, secondary education, business development, and (in qualified cases) car ownership. The IDA is one of the centerpieces of FII, and all four affinity groups were encouraged to participate.
7. FII staff report, "Report to the FII Commission," December 6, 2002.
8. *Ibid.*
9. The amount that the standard sets out differs by region in California.
10. FII case files. FII describes the case study as follows: "The family data and household income used for this case study belong to an actual family living in Oakland, California. FII has worked with this family since June 2001. Household size, 6: Mother (32), Father (27), Grandmother (66), Son (9), Son (4), Daughter (3). Figures are only available for family of 4. True costs for this family of 6 will be significantly higher thus increasing the value of their social capital."

11. Quotations in this paragraph are from feedback forms distributed at Miller's presentation. These were attached to FII staff's "Report to the FII Commission," May 2, 2002.
12. The original text for this chapter was completed in late 2003. The following section was written and added in June 2005 to update the reader on how FII had progressed in the intervening two years.
13. Maurice Miller, interview with the author, May 2005; Marisa Castuera, interview with the author, May 2005.
14. Miller, e-mail message to the author, May 19, 2005; also, Miller, Castuera, and Chao (2004).
15. "Family Independence Initiative Update," October 2004 FII Commission meeting, Oakland, California.

12

Principle Ten: Globalization

The Job Training Professional Assumes a Greater Role in a World of Globalization, Competition, and Outsourcing

James Lorenz served as EDD director during Jerry Brown's first term as governor in the mid-1970s. Lorenz's directorship was a short one—just over six months. However, he subsequently wrote one of the finest books of the past 50 years about California government and politics—*Jerry Brown: The Man on the White Horse* (Lorenz 1978). The book chronicles Lorenz's time as Brown's campaign policy director in 1974 and as EDD director in the first half of 1975.

For Lorenz, his time in state government was “a long journey . . . like a trip down a river,” he writes.

In my imagination, I was back on the great river now, moving through the heartland of the country, where the truest, most profound American archetypes reside, Huckleberry Finn and Tom Sawyer and Jim, the runaway slave—and somehow the story that Mark Twain composed ninety-two years ago seemed like a metaphor for us all. (Lorenz 1978)

To an extent, every political campaign and new administration are a journey down the Mississippi. There are the hustlers and confidence men like the King and the Duke, and the do-gooders like the judge who tries to reform Huck's father and ends up hurting everyone. There is a lot of extraneous activity, like Tom's elaborate schemes for freeing Jim from the woodshed. Sometimes, something is accomplished, like Huck reaching home and Jim being set free, though the process is a lot more convoluted than it should be.

For me, the journey in the Davis administration led back to where I had started, participating in job training projects on the local level. “I'll do it for two years,” I told my wife, Donna, when we talked about the EDD director position in early 1999. Two years stretched to three, and then to nearly four, through Governor Davis's reelection in November

2002. I was set to leave in July 2003 when the governor's recall campaign came alive and qualified for an October ballot. The recall succeeded, followed by a three-month transition to the administration of Governor Schwarzenegger. By that time, it was late January 2004, and the two years had turned into nearly five.

We continued to live in San Francisco through those five years, and I commuted to Sacramento and back three days a week. I drove with my colleague, Max Forman. Down U.S. Highway 80 we traveled each morning, over the Bay Bridge, past the University of California campus in Berkeley and the Golden Gate Fields racetrack, over the Carquinez Bridge and the wide open stretches of American Canyon, then on past the Scandia Miniature Golf Center in Fairfield, the abandoned Nut Tree restaurant complex in Vacaville, and the University of California campus in Davis, until we crossed over Tower Bridge and came into sight of the state capitol dome. Through five years, the sight of the majestic state capitol at the end of Capitol Mall never failed to be an inspiration.

Upon leaving state government, I returned to the position I had held before April 1999 as counsel to the HNTB Companies, a nationwide transportation and infrastructure design firm. And I came back to the world of community-based agencies and local training projects. I re-joined several boards of community-based agencies and rejoined the community of job training practitioners designing and operating local projects.¹

GLOBALIZATION AND EMPLOYMENT

Job training on the local level, as on the state level, has been reshaped by the forces discussed in this book: welfare reform, the Workforce Investment Act and the One-Stop system, the drive to reduce the Supplemental Security Insurance rolls and to find mainstream work roles for workers with disabilities, and the concern about wage mobility. There is an additional force that will reshape training's role and form in the next years: globalization (the movement toward global economic integration and interdependence) and its related dynamic of outsourcing (the movement of jobs and work tasks to countries outside of the United States).

Globalization and outsourcing will exercise three main influences on job training. First, they will increase the role of job training for workers laid off or in danger of being laid off. Second, they will give greater prominence to job training organizations that are able to adapt rapidly to changing labor-market opportunities. Third, they will give push to a broader system of lifelong learning: a system that exists to an extent at present but can be improved to meet the heightened job restructuring.

As we saw in Chapter 3, in the U.S. economy, in good times and bad, millions of jobs are being created and destroyed each month. The job creation and job destruction caused by globalization will add to this job dynamism, and especially it will add to the political and legislative focus on job training.

During the 1980s and 1990s and continuing into today, globalization reshaped jobs and wages in America's manufacturing sector. Foreign-based companies established manufacturing facilities in the United States and created new jobs. To a greater extent, American-based companies shifted manufacturing jobs and tasks to other countries that offered lower business and labor costs. Our profession responded with retraining programs—initially under the Job Training Partnership Act and subsequently under the Workforce Investment Act—to ease the transition of displaced workers to new jobs and occupations.

For some time, many of us in job training regarded the reach of globalization as being limited to job losses in manufacturing. Other sectors, we thought, could not easily move tasks offshore. But in the past decade globalization has extended its reach to jobs and occupations well beyond manufacturing. In a first wave of services outsourcing beginning around 2000, call center jobs, computer operation jobs and computer software jobs began going overseas in large numbers. This exodus was followed around 2002 by a second services outsourcing wave that shipped out such jobs as bank loan processor and insurance claims adjuster.

A number of studies in 2004 have pointed to the greater role of outsourcing lately in job loss and have brought the issue to the attention of U.S. congressmen and state legislators. In Spring 2004, the Cambridge, Massachusetts, based Forrester Research, which had been tracking outsourcing, issued a projection that, dating back over the past few years, a total of 500,000 jobs would be outsourced overseas by the end of 2004, and that 1 million jobs would be outsourced by the end of 2006.

Also in Spring 2004, the nationwide consulting firm A.T. Kearney reported that over 90 percent of software and semiconductor companies in California's Silicon Valley had moved tasks offshore and that these companies planned to increase, rather than decrease, this outsourcing. This report was followed in Summer 2004 by a University of California, Berkeley, study that said one in six jobs in Silicon Valley (and one in seven in nearby San Francisco) were at risk of being outsourced in the next few years.²

Nationally, outsourcing had become a hot-button issue, and legislators at first responded to the outsourcing projections by attacking the practice and questioning the patriotism of the firms—John Kerry in 2004 denounced executives who moved jobs offshore as “Benedict Arnold CEOs” (Dealey 2004; McCullagh 2004). Legislation was introduced in a number of states to prevent jobs in state government from going overseas and to give preference in state bids to contractors employing workers only in the United States.

However, by late 2004, the outsourcing legislation had stalled. Economists, for the most part free-trade, had weighed in on the issue. They noted that the employment impacts of outsourcing were complex, that outsourcing could preserve and create jobs in the United States as well as eliminate them, and that attempts to limit outsourcing could bring negative job impacts.

For example, in Spring 2004, the Democratic legislators in California's state legislature commissioned the Public Policy Institute of California to do a study of outsourcing in the state. The legislators had been the most vocal critics of outsourcing, and the report was expected to call for state actions to halt outsourcing in both the public and the private sector. Instead, the two economists who authored the report for the Public Policy Institute, Jon Haveman and Howard Shatz, argued that any attempt to curb outsourcing could rebound against the state's economy in several ways (Haveman and Shatz 2004). Foreign countries could retaliate by restricting the purchase of California-produced goods and services. Foreign firms could curtail their insourcing of jobs to California. The cost of governmental and nongovernmental services could increase. Further, the number of workers whose jobs might be saved by any outsourcing restrictions would be small, and these workers would tend to be the more skilled workers with greater labor market options.³

Along with resistance from the free-trade economists, opposition to outsourcing restrictions also came from the Clintonian free-trade wing of the Democratic Party. Though labor unions and environmental groups championed restrictions on job movements, major sections of the party, who a decade earlier had been committed to globalization and free trade in the North American Free Trade Act (NAFTA) debate, now followed the same free-trade logic in the outsourcing debate.

Training to Meet the Impacts of Globalization

Outsourcing will increase rather than decrease in the coming years. In some states, restrictions might be placed on the contracting of direct government services. But these restrictions will not affect the great majority of the jobs that are being outsourced in the private sector. Instead, the policy focus will shift in the near future from putting restrictions on outsourcing to assisting worker transition into new jobs or new industries. In designing these worker transition policies, the expertise of job training practitioners will take center stage, as we will be called upon to identify and test training structures.

We will have to proceed with care in building these retraining structures, as there is much we need to learn about the number and characteristics of workers affected and the importance of outsourcing in the decisions made by industry. Nevertheless, we can start by drawing on the experiences of previous government retraining programs, including the dislocated worker programs under JTPA and WIA and the Trade Assistance Act program.

These experiences suggest a number of guidelines for retraining workers whose jobs are outsourced. We have learned, for example, that retraining succeeds best when it is tailored to the individual interests and skill levels of participants, and that this tailoring can take a variety of forms, from direct placement, to assistance in relocation to another part of the state or country, to new skills for upgrading in the firm, industry sector, or general labor market. Further, we have learned that skills training for a specific job opening is the optimal dynamic; alternatively, identifying a pool of likely job openings is necessary. The training agencies that succeed are those that keep close tabs on the regional labor market and adapt quickly to changes in labor market supply and demand.

Several new retraining approaches have been put forward in the outsourcing debate. Catherine Mann of the Institute for International Economics in Washington, D.C., has proposed a tax credit for companies to retrain workers whose jobs are being outsourced. The tax credit would be similar to the research and development tax credit. "Having retraining and skill upgrading done in the firm is known to be a far more productive strategy for both the firm and the worker," Mann claims, "but firms don't necessarily have an incentive to do it" (Lochhead 2004).

The tax credit approach has value in two ways: it provides a firm with incentive to keep and retrain its workers, and it tailors training to an identified job opening. However, firms that are outsourcing may not have sufficient job openings to absorb the workers who are losing jobs. Further, while major employers can train effectively for jobs within their firms, they are not necessarily the most effective trainers for jobs outside their firms, and especially not for jobs outside their sector.

In January 2003 the Bush administration released the proposal "Economic Growth and Job Creation." It contained a proposed program to help the unemployed called "Personal Reemployment Accounts," which would create individual reemployment accounts for laid-off workers—including those who lost their jobs because of outsourcing—who are likely to exhaust their unemployment insurance benefits. Accounts of up to \$3,000 would be available to certain unemployed workers. With this money, a worker could purchase job training and employment services, child care, and other supports. Further, the worker, upon finding employment, could pocket any unused funds as a reemployment bonus.⁴

This retraining approach has the benefit of placing decision making in the hands of the worker and giving the worker incentive to obtain the best training and placement services he can at the least cost. However, the reemployment account has been tried before in select states, and its impact on duration of unemployment and on reemployment and wages has been mixed (Davidson and Woodbury 1996).⁵ Additionally, the cost of the account program has been estimated by USDOL at \$3.6 billion over two years—an amount that has given even training-friendly legislators a pause.

Perhaps the main guideline in developing a retraining structure for workers whose jobs are outsourced is that such a structure not be separated from a retraining structure for all laid-off workers. The number

of jobs lost to outsourcing, even as it grows, will be small compared to the number of jobs lost to the other impacts of globalization, especially to competition from foreign companies. Competition in services as well as manufacturing from companies in Singapore, China, India, and Malaysia, the result of free trade, will have many times the impact of outsourcing on job losses.

As noted in Chapter 7, a sizable retraining system does exist in the United States, especially through community colleges and public school district adult education. The colleges and schools provide classes, at minimal cost, to adults for lifelong learning. These classes allow workers not only to improve their reading and vocational skills but also to retrain for new careers in health care, computer software, and office administration.

This current retraining system will need to evolve as global competition pushes the American economy to evolve. In this evolution, sectoral training—training rooted in the industry sector—will assume greater importance. Industrywide associations, primarily labor unions and employer associations, will join in designing, operating and funding training with the community colleges and with public school adult education.

An example of an emerging sector-based partnership is the Allied Health Training Center being developed in Santa Clara. As envisioned by the WIB director for the Santa Clara area, Mike Curran, it will train young workers entering the labor market, current health care workers who want to advance, and displaced workers seeking new careers. “A job training charter school” is how Curran describes the center, meaning that while community colleges and public school adult education will be participants, the center will operate outside of these established bureaucracies. Decision making will rest mainly with a separate, sector-based board of employers, union representatives, and workforce professionals.⁶

Besides being sector-based, the center will be more entrepreneurial and market based than traditional job training programs. It will incorporate elements of the entrepreneurial private adult-training schools, such as the University of Phoenix. Its selection of jobs in which attendees can receive training will be flexible, based on the real-time job needs of the hospitals and clinics on the peninsula (San Mateo and Santa Clara counties). Its funding will come from student loans and grants, which

typically fuel private adult training, as well as from employers, joint labor-management trust funds, and community colleges.

Such a sector-based partnership is not limited to the health care field. It is applicable to hospitality, financial services, biotechnology, and information technology, to name a few of the expanding sectors that have jobs at a variety of levels, strong multiemployer associations, and existing ties with the community colleges.

While sector-based partnerships will be a greater part of the evolving job training and retraining system, they will not be the only part. A form of retraining tax credit will be valuable in cases where employers, who are outsourcing certain jobs, do have other jobs available for retraining employees in. Individualized skills training, relocation, and literacy all will play a role. The retraining system gives workers a choice among training options while also requiring them to make an investment in training, possibly through a training loan program similar to the loan programs for college students.

FROM TYPEWRITER REPAIR TO THE NEW ECONOMY

When I started in the job training field in 1979, we were training persons to repair typewriters, calculators, copiers. The first training class operated by San Francisco Renaissance, the job training group I headed, was in business machine repair. We trained repairpersons for the small typewriter repair shops located in the South of Market area and the big typewriter and copier manufacturers like Olympia, Royal, and Burroughs, which maintained repair divisions.

Today, the typewriter and electric calculator repairperson is nearly obsolete, having gone the way of the barrel maker and the switchboard operator, jobs of previous eras that were rendered superfluous by technological improvements. Further, most of the small-business machine repair shops we placed workers in have ceased operation, and in their storefronts South of Market, on Howard and Folsom streets, are software engineers and Web designers.

Over the next 25 years we will see even greater changes in the jobs and businesses we train for. Technology will create jobs not yet envisioned. In 1979 few training practitioners foresaw Web designers or

network administrators, or even the great expansion of the health care workforce. Similarly, 25 years from now we will be training for jobs that don't exist today.

Yet the principles of effective job training will remain the same: all training is local or regional; keep close to the local labor market; keep close to employers; understand the workers being trained; make sure they're invested in the training; foster a strong sense of mission among training staff—these principles of effective training and retraining will continue into the future.

Further, while the future will require that we design effective training, the future lies also in antipoverty approaches outside of government. The faith-based training is one approach; the Family Independent Initiative (FII), discussed in Chapter 11, is another. As we saw, FII uses using affinity groups, groups based on ethnicity, neighborhood, or religion and linked by shared trust and mutuality. FII is in its first years, and the impacts are very preliminary, but the program concepts are solid: low-income families working together outside of government, pursuing asset accumulation and being supported in their savings and investment efforts.⁷

THE COMMUNITY OF PRACTITIONERS

After the recall election in October 2003, Governor Davis had a final meeting with department directors, advising us that we all would be replaced. Despite talk from the incoming administration of bipartisanship and working together, we'd all be gone soon. ("Any day after the first month that you're still in office, consider a gift," Davis counseled.) Yet none of us, from the governor down, had reason to complain. "None of us is entitled to or owed a state position," Davis emphasized. "In a state of over 35 million people, each of us should consider ourselves fortunate to have spent time in California government."

For 25 years, I've considered myself fortunate to be in the community of job training and employment practitioners. Returning to the themes raised in Chapter 1, I would say it is a community of professionals engaged in practical job strategies, not theory or ideology. It is a community of craftspersons who have eye to detail and quality and

results, not process or politics. You have met members of this community throughout this book, and beyond them are thousands of others across the nation.

Driving through San Francisco's neighborhoods today, I often see the ghosts of practitioners from years past—mentors from whom I learned lessons of our craft. There on Sixteenth and Mission is Leandro Soto, who founded Arriba Juntos in 1964 and headed it for nearly 30 years. "Lee," now retired, is not a scholar, but he has a high respect for the workforce profession and its scholarship. He taught everyone who worked for him to study past programs, learn from them, and keep current on the latest research in the workforce field.

On McAllister and Webster is the Ella Hill Hutch Community Center, and in the director's office is Lefty Gordon. Lefty, who died in 2000, spent his whole working life as a workforce professional, starting as a youth worker and counselor with Youth for Service in the 1960s. Lefty's work life shows the ability to grow and adapt to changing conditions without being tied to ideology. For example, he was one of the first in San Francisco to speak out about teen pregnancy and to see the promise of the faith-based approaches.

On Third and Newcomb in the Bayview is the late Harold Brooks, another veteran of the 1960s antipoverty programs. In 1979, Harold stood on this corner in front of run-down storefronts and described how it would be transformed into a hub for African American entrepreneurship. Over the next 25 years, this transformation never occurred. Third Street remained a high crime area lined with vacant storefronts and marginal businesses, and no more than a handful of African American entrepreneurs emerged.

But Brooks's advocacy for entrepreneurship and ownership, for moving beyond the social services mentality of War on Poverty, was not lost. A new generation has emerged in the Bayview, and its members are building on his ideas, learning from the mistakes of past programs, and testing approaches to entrepreneurship and ownership through specific projects, closely evaluated.

I recently called them to volunteer my services. After all, what else would an old practitioner do?

Notes

1. Some of the lessons I learned in my years as EDD director on how to serve effectively in the public sector are recounted in Appendix A, p. 229.
2. Most of these outsourced jobs were not to large outsourcing firms in India or Malaysia but to foreign subsidiaries of U.S. companies. Two-thirds of the U.S. companies that sent work offshore during the 1990s kept the work within their own units and affiliates.
3. In Northern California's Sonoma County, the local newspaper, the *Santa Rosa Press Democrat*, tracked the loss of over 2,000 jobs in local Hewlett-Packard and Agilent Technologies facilities and their transfer, primarily to Malaysia. The newspaper portrayed the dislocations brought about by the lost jobs but also identified the gains to struggling foreign economies and the value to American companies. Sung W. Sohn, chief economist for banking giant Wells Fargo & Co., expressed the view of many economists when he told the newspaper that "by outsourcing some jobs, Sonoma manufacturers are improving their profitability and the productivity of the workers that remain employed. This helps ensure their survival in this competitive global marketplace" (Hay 2004).
4. Center on Budget and Policy Priorities, <http://www.cbpp.org/1-31-03ui.htm>. See also the Department of Labor's Web page, http://www.doleta.gov/reemployment/Final_QA.cfm (both accessed July 7, 2005).
5. This is one of a series of research papers on Personal Reemployment Accounts issued by the Upjohn Institute. To view this and other research papers from this series, go to the Upjohn Institute's Web page, www.upjohninstitute.org, scan down the left-hand column topics, and click on "Personal Reemployment Accounts." See also Robins and Spiegelman (2001).
6. Mike Curran, interview with the author, 2005.
7. Just as major elements of the job training system will continue to evolve in the future, so must the Job Service, in a way that brings the service back to its one-to-one job placement role. Appendix B, starting on p. 233, deals with this needed evolution in the Job Service.

Appendix A

Heading a State Employment Service

By the time I was appointed director of the state Employment Development Department (EDD) in April 1999, I had over 20 years of experience in the employment field and a background as an attorney, an elected official, and a board member of several major job training agencies. But I soon found there is really no experience in the private or public sector that prepares you for heading a large state bureaucracy (EDD has more than 10,000 employees).

Below are some of the lessons I learned about effectiveness in the public sector.¹

1. Intellectual arrogance is the first deadly sin in state government.

A few years back, an EDD director was appointed who had a background as a public interest lawyer and a degree from Harvard Law School. He quickly gained the reputation of thinking he was smarter than anyone else. He *was* smarter in certain ways. But he lasted less than seven months—undermined by an intellectual arrogance and a bureaucracy that didn’t respect his ideas.

Just as there are various forms of intelligence in general, there are various forms of intelligence in government administration. As a director, recognize your limitations and surround yourself with experienced state employees and competent administrators. At EDD, I turned to Michael Krisman, whose state service dated back to the early 1970s. He served as my assistant director. “My main job is to keep you and the department out of trouble,” he would say, “—operational trouble, political trouble, governor’s office trouble.”

As chief deputy I appointed Deborah Bronow, a 25-year EDD employee who had started her career as an unemployment insurance examiner. After a few months, others at EDD came to me and said, “You know, Bronow disagrees with 50 percent of your ideas for the department.” “Precisely,” I replied; “that’s why she’s in the director’s office—as a check on ideas I have or the governor’s office has that aren’t so good.” Later, when Geneva Robinson, another 25-year EDD employee, became chief deputy, she assumed a similar role, torpedoing ideas that made no sense on the frontline level.

The first finance director in the Davis administration, Tim Gage, was accessible, humble, and open to the thoughts of others—even though he had attended the same vaunted institution of higher learning as the EDD director mentioned above. But another of Davis’s directors had a less affable style. In short, he yelled a lot. When we at EDD approached this man about our tech-

nology projects, he made clear he knew more than our technology staff (he didn't). In his belligerence, he almost undermined a key operational improvement to the state's unemployment insurance system.

2. Don't spend one minute on reorganization schemes or reorganization consultants. In each new administration, agency secretaries and department directors, encouraged by management consultants, feel compelled to reorganize their departments: rewriting mission statements, changing report requirements and branch structures. What a waste. The mission statements are vacuous documents, and the act of shifting reporting requirements rarely affects the quality or integrity of front-line services. Krisman always asked of a reorganization proposal, "How does this impact the job seeker in Glendale?" and the answer was obvious: it didn't.

The organizational retreats "facilitated" by consultants should be eliminated. At one retreat, the consultants led participants in a half-day, line-by-line dissection of a mission statement—as if they were studying the Talmud, not a three-paragraph, vague description of goals. Department leadership will learn about mission from front-line state staff in Modesto or Long Beach, not from management consultants.

3. Reject the culture of meetings. George David Kiefer, a member of the Schwarzenegger transition team, once wrote a book, *The Strategy of Meetings*, whose front cover blurb read, "Meetings are where careers are made." Not a good idea in state government, where meetings are the stock in trade and have led to "pre-meetings" and even "pre-pre-meetings." There is value in face-to-face communication—Governor Davis hoped to get one good idea for the time spent in a meeting. However, in state government, the culture of meetings has gone too far and needs to be reined in—otherwise one has something in common with Billy Crystal, whose character says in "City Slickers" of his job involving a lot of meetings, "I sell air."

4. Emphasize program integrity in public benefit programs. In 1966, New York Mayor John Lindsay appointed as his first commissioner of social services Mitchell Ginsberg, a liberal social-welfare professor at Columbia. Ginsberg believed that welfare eligibility rules were unnecessary and moved to open welfare to anyone who applied (the New York Daily News called him "Come-and-get-it-Ginsberg"). The welfare rolls soared, a political backlash resulted, and the city was forced to cut services to welfare recipients. The poor, whom Ginsberg allegedly was trying to help, became the ones hardest hit. The lesson for public administrators: take a cavalier attitude toward program integrity, and the credibility and political viability of the program will sharply decline—hurting recipients the most.

The state government administers a variety of public benefit programs in health care, employment insurance, and workers' compensation, and EDD operates two of the state's main benefit funds: the \$6 billion unemployment insurance fund and the \$2.6 billion disability insurance fund. We had several experiences that highlight the importance of program integrity.

In 2002, the unemployment insurance program was hit by an increase in cases of identity fraud—claimants stealing Social Security numbers and filing fraudulent claims. Though the program took action (adding questions to our claims script, immediately cutting off payments to suspect Social Security numbers), we were slower than we should have been in shifting resources to address this fraud. We also were slow in responding to a television segment portraying EDD as sending checks to anyone who gave us a phony name. The program's credibility took a hit.

These days, state benefit programs operate on limited staff yet still must meet a variety of goals, particularly the processing of claims without lengthy delays. Always, though, antifraud should be a priority.

5. Maintain the small-town accessibility of state government. Often, I hear from Californians who are impressed that they can call EDD and get a live body answering their questions on an unpaid unemployment insurance claim, a disability insurance claim, or a job search application. In fact, at EDD, you can call persons at all levels and get through. In the director's office, my practice in the first months was to take all calls, with no screening. This changed slightly, but only after discovering that a good proportion of calls to the director were from unemployment insurance claimants who wanted to know why their checks were late. Still, I tried to take most calls and return any missed calls or e-mails that same day.

In the Davis administration as a whole, director accessibility was mixed. Some directors and agency secretaries pointedly kept you waiting for a time if you went to their offices. They had their assistants call to "schedule a phone time," rather than pick up the phone themselves. They insisted on being addressed by their titles, as "Mr. Director," or Ms. Director." These officials were ridiculous figures—especially when juxtaposed with the small-town ambience and unpretentiousness that still characterize much of Sacramento.

6. Above all, respect the professionalism and sense of mission of the bureaucracy. In 2001, I appeared on Bay Area Public Radio with one of our tax branch administrators. "Big campaign donors are able to influence tax determinations," the host said at one point, and I was taken aback. This just isn't how things are done in Sacramento—in the Davis administration or in the Wilson or Deukmajian administrations. Nobody would even think of tinkering

with the tax authority, or with most other state contracting functions. The sense of professionalism among the state bureaucracies is too great.

I met with a large information technology firm, whose representatives asked whether they should hire a “Friend of Davis” lobbyist—a person who knew people in the governor’s office. “Don’t waste your money,” I said. “In state government, nearly all contracting decisions are made by staff. Spend your time getting to know staff and what they want to accomplish.”

Beyond professionalism, most departments have a strong sense of mission, whether it be for protecting California’s forests, or building California’s highways, or paying disability insurance to Californians unable to work. When Krisman and I traveled to local EDD offices, the experience was always uplifting. Though state employees receive set pay rates no matter what the quality of service, many state employees go out of their way to ensure a high service quality. The EDD office in El Centro opened at 4 a.m. to meet the work schedule of local farmworkers, and the Modesto EDD office raised private funds to augment veterans’ employment services. Individual EDD employees go beyond nine-to-five in services: on his own time, a disability insurance claims examiner devised a reference system for claims examiners (a consulting firm would have charged \$100,000), and a tax auditor volunteered his time to reduce backlog.

To be in a leadership role is to be a steward of a state department. Whether for four months or four years or eight years, your time in Sacramento leadership is limited. At the least, you want to take no action that undermines the department’s service ethos.

Note

1. This appendix appeared in a May 2004 issue of the *Sacramento Bee*, Sunday Forum section, as “6 Lessons I Learned in the Capitol.”

Appendix B

The Employment Development Department

The California State Employment Development Department (EDD) has 10,000 employees, making it the largest state department of labor.

Confident of its place, the department grew during much of the twentieth century, following the growth of the state's role in addressing unemployment. This growth encompassed the establishment of Unemployment Insurance and Disability Insurance in the 1930s and 1940s, the expansion of the Employment Service in the 1950s, and the antipoverty programs of the 1960s and 1970s.

Today, the department administers a number of major state services, including the \$6 billion Unemployment Insurance system, the \$2.6 billion State Disability Insurance system, and California's \$30 billion employer tax collection. It administers the state's Job Service and more than \$1 billion in employment and training funds.

But the department's future is far from certain, as the role of the state in social insurance and especially in job placement is being questioned. The Job Service has declined by nearly 50 percent in staff over the past two decades with the decrease in federal Wagner-Peyser funds. Further, the job placement field is seeing the rise of several nongovernmental workforce intermediaries, as well as the growth of the private temporary or permanent job placement industry and the growth of Internet job placement sites, such as monster.com and careerbuilder.com.

EDD's dilemma is shared by the Job Services of the other states. Below, I will briefly discuss the department, starting with my own path as a workforce practitioner, a path that eventually led to EDD.

"Go work on the local level." That's the advice that Bill Spring, then President Carter's advisor on job policy, gave me in 1979, when I was first entering our profession.

I had met Bill at Harvard in the early 1970s. He was a lecturer at the Kennedy School of Government, teaching a seminar on the federal government and employment policy. After Harvard, I studied for two years at Oxford University, earning a BPhil in political theory, and spent the next three years in law school in California at UC-Berkeley's Boalt Hall, which housed the School of Law. My final year of law school, 1978–1979, I spent in Washington, D.C. As the school year was nearing an end and graduation approached, law practice

seemed dry compared to the job training field, and I went to see Bill Spring at the Old Executive Office Building.

I thought he would help me obtain a position in the White House or the Department of Labor. Instead, he emphasized, "If you want to learn about unemployment, get out of Washington."

With his assistance, my first job after law school, in June 1979, was in a temporary position as an attorney with the Alameda County Training and Employment Board (ACTEB), headquartered in Hayward, California, a town about 30 miles outside of San Francisco. ACTEB administered the job training programs for Alameda County. When the position ended in late 1979, I moved into the city and began a partnership with Bill Russell-Shapiro, who was starting San Francisco Renaissance.

Bill was 32 years old in 1979. He was a graduate of Yale who had gone on to MIT to study urban planning. Now he was an entrepreneur with a new food service business. Part of his entrepreneurship was in the public sector, and Renaissance was an attempt to test and refine ideas for improved job training. From 1982 through 1986, Renaissance operated a series of job training, job creation, and entrepreneurship projects. These included literacy and GED classes, vocational classes in computer repair and business-machine repair, an older-worker placement program, an entrepreneurship center for aspiring and small businesspersons, and a series of business ventures in messenger service, computer cabling, carpet cleaning, and a downtown convenience store.

Much of Renaissance has continued until the present. The businesses were phased out. However, the entrepreneurship center grew considerably under its director, Claudia Viek, and purchased a building near downtown. The job training programs, under their own director, Tempi Priestly,¹ relocated to the Bayview District and focused on high school dropouts.²

Upon leaving Renaissance in late 1986, I joined the law firm of Arnelle and Hastie and started a second career in the job training field. Over the next 12 years, I served as a volunteer board member of numerous community-based agencies, including the Mission Reading Clinic, Youth for Service, and the Ella Hill Hutch Community Center, where I was active on the EHHC board committee on teen fathers and reducing teen pregnancy.

Then, in November 1998, Gray Davis was elected California governor, and the opportunity arose for me to head the state labor department. My wife, Donna, and I have known Gray since 1986, when we were introduced to him by Anthony Kline, a state appeals court judge who was active in job training in San Francisco. Gray was then running for controller, and we joined his finance committee. Over the next several years we were active in his campaigns for controller, lieutenant governor, and governor.³

Photo B.1 State Free Employment Bureau—Los Angeles (1920s)

Davis was one of the few California Democrats who had supported President Clinton's welfare reform in 1996, and he agreed that the first years of welfare reform had brought important benefits. He wanted to expand the role of faith-based agencies, notably the African American churches, in working with long-term welfare recipients and other long-term unemployed. "We should be getting more resources into neighborhood and community groups outside of government, especially the African American churches," he said when we met after the election. I handed him a memo about the key issues I saw in employment policy in California, such as the implementation of Welfare-to-Work, the low-wage workforce, and reducing taxes and regulations on the small-business community. I started as EDD director on April 1, 1999.

The main EDD building spreads over two city blocks, from Seventh to Ninth streets on Capitol Mall. The Director's Office is on the fifth floor and has windows on two sides and a postcard view of the state capitol. Several other EDD buildings are in the vicinity.

Before EDD, in the early part of the twentieth century, job placement was provided by "State Free Employment Bureaus"—the Los Angeles bureau is shown in Photo B.1. EDD was established by the California state legislature in July 1936 (initially as the Department of Employment) to administer the newly created Unemployment Insurance system and also to operate employment placement offices. Photo B.2 shows California Governor Frank Merriam presenting the first unemployment checks in California to Los Angeles residents Anna Dougherty and Albert Kruse on February 14, 1938.

Photo B.2 First UI checks issued by California Governor Frank Merriam (1938)

Over the next three decades, EDD offices were built to serve unemployment applicants and job seekers throughout the state. Photo B.3, taken in the late 1940s, shows a typical EDD office, in which a counter spanned the length of the room. On one end of the room were the lines for UI benefits; on the other end, the lines for job search assistance. On the walls were 3×5 cards telling of job openings and contacts.

That's the way EDD offices looked when I first went to one on McCadden Street in Hollywood as a recent high school graduate in June 1970, searching for a summer job. From one of the 3×5 cards, I found a job opening for clerical work at a small collection agency on Sunset Boulevard.

Today, the 3×5 cards have been replaced by computers in the office lobby that link job seekers to CalJOBS, the state's automated labor exchange. Daily, there are around 165,000 jobs statewide listed on CalJOBS. The unemployment insurance lines are gone: EDD offices no longer pay unemployment insurance in person, and unemployment insurance transactions are done by telephone. Also, most EDD offices are being converted into One-Stop employment centers that join EDD staff with staff of the Department of Rehabilitation, county welfare offices, and local Workforce Investment Boards.

What remains constant, though, is the job focus. In a typical EDD office, the lobby will have 15–20 job seekers doing job searches on the computers. Another 15–20 will be in an intensive assistance workshop for resumé writing and job leads. Other job seekers will be in a room of phones and computers set aside for Experience Unlimited, the job club for unemployed professionals. And still others, who are military veterans, will be meeting one-to-one with the veterans' job representatives.

EDD, as an institution, continues to be a presence in local communities, in both urban and rural areas. EDD offices are prominent on the main streets of Merced, Modesto, Redding, Stockton, Bakersfield, and 20 other smaller cities throughout the state. EDD also is a part of the social fabric of each city. Local EDD staff are active in community projects, in workforce and economic development projects, and, beyond these, in local charities and fundraisers.⁴

Despite these community roles, EDD Job Service staff, at the start of the twenty-first century, view with uncertainty the future of the Job Service and their own jobs. The federal Wagner-Peyser money, which funds the Job Service, has been decreasing steadily for two decades and is projected to continue to decrease. Some states are examining the possibility of privatizing the Job Service function by contracting with private placement firms. Federal legislation has been introduced in the past few years to transfer Job Service funds from state government to the local Workforce Investment Boards, and while this legislation has not been successful, the idea of turning over the Wagner-Peyser funds to local Boards is still alive.

Further, the growth of labor market intermediaries has reduced the Job Service's role in major industry sectors. In no industry sector is this more pro-

Photo B.3 Unemployment Insurance/Job Service (1948)

Photo B.4 EDD representative with grower—Coachilla Valley (1950s)

nounced than in agriculture. For more than 60 years, from the 1930s through the early 1990s, EDD was the employment broker, helping growers to find farmworkers for harvests, and helping farmworkers to find work. Photo B.4 shows an EDD representative with a grower in the Coachilla Valley in the 1950s, and Photo B.5 shows EDD staff operating from one of the department's Farm Labor Service trailers. In the Central Valley offices of Fresno, Mendota, Merced, and Modesto, a good percentage of EDD staff are assigned to agriculture and are themselves the daughters and sons of growers or farmworkers.

In the past decade, agriculture in California has been battered by low-cost fruits and vegetables from other countries, leaving the family enterprises and smaller enterprises reeling. At the same time, farm labor contractors are supplying a larger and larger part of the labor force, using mainly undocumented workers to keep wages low. One of EDD's farm labor advisors, Anthony Alvarado of Fresno State University, estimates that in the Central Valley 85 percent of the workers are hired through farm labor contractors, and over 60 percent are undocumented workers. And Diego Haro, EDD's Central Valley manager, tells me that "the role we played in agriculture for decades is at an end."

"We used to know the growers by name and the farmworker families," Haro says. "Now, with the use of farm labor contractors, the undocumented workforce, and the precarious state of farming, we're not likely to do so in the future. It's one of several ways that Job Service needs to be reconstituted, if it is to survive."

Across industry sectors, a greater role in job placement is being assumed by two labor market intermediaries: 1) the temporary help agencies, and 2) the Internet job placement services. As Susan Houseman and George Erickcek of the Upjohn Institute and Arne Kalleberg of the University of North Carolina note in a study of temporary help agencies, employment through these agencies grew significantly throughout the 1990s. Employment in help supply services—primarily temporary help agencies—more than doubled, from 1.2 percent of paid employment in 1990 to 2.6 percent in 2000 (Houseman, Kalleberg, and Erickcek 2003).

Further, the study notes that employment in temp agencies is likely to continue to grow as employers find value in the temp agency process. For employers, this process enables them to hire rapidly, screen employees, and lay off employees at less cost than they could with nontemp employees. For the unemployed job seeker, the temp assignment represents not only income and job experience but also opportunity that might lead to permanent employment.

The Internet job placement services also have grown dramatically in the past decade, along with the growth of the Internet. These services, such as monster.com, careerbuilder.com, and hotjobs.com, are assuming a job matching role once the domain of the Employment Service. The job seeker who previously might have gone to the Employment Service for job listings—whether

Photo B.5 EDD staff at their trailer office

on a wall board or, more recently, on a computer—now has the option of logging onto one of thousands of Internet services. These Internet services are increasingly sophisticated, ranging from enormous general job lists to ones specialized by occupation or sector or geography.

Rather than see these two growing labor market intermediaries as a threat to its survival, though, the Employment Service should recognize the opportunity presented to get back to a key core responsibility: one-to-one job placement, coaching, and follow-up with job seekers who are experiencing great difficulty in finding or holding jobs. These job seekers might be long-term welfare recipients, workers with disabilities who are on SSI, older workers, laid-off specialized tech workers, or (most likely) workers who fit no easy category but have sent out hundreds of job inquiries without success.

California's Job Service Division of the EDD in previous decades did a lot of this one-to-one work. Indeed, I found that many EDD employees were attracted to the Job Service because of the opportunity to work more intensively on the tougher employment cases. In the past decade, with the reduction in federal funds and the universal service requirements of WIA, the Job Service has moved away from this intensive job placement. But the past may be the future, and the low-tech placement and coaching role might be Job Service's best role in the years ahead.

Notes

1. Renaissance split into two agencies after I left in late 1986. The Renaissance Entrepreneurship Center was headed by Viek from late 1986 until a few years ago. The Renaissance job training programs have been headed by Priestly from late 1986 until the present.
2. In 1984, I wrote a piece for the *Harvard Business Review* on the promise of job training agencies operating private businesses. The businesses not only could generate income so that the agencies were not dependent on government funds, they also could provide paid work experience for trainees and could give the agencies a better understanding of business demands (Bernick 1984b). Over the subsequent years I have become convinced that job training agencies operating businesses is not generally a good idea. Most of these businesses struggle to survive, and only a few break even. They do generate jobs and a private sector orientation, but these gains rarely are worth the costs.
3. On election night 1986, Donna and I flew from San Francisco to Los Angeles to be with Gray, his wife, Sharon, and Sharon's parents at a small reception at the Los Angeles Hilton. "One day he's going to be governor," Sharon's father told Donna that night. But, there were at least 50 other California politicians who were being mentioned as the next governor before Gray.

In 1990, Gray won reelection as controller, and in 1994 he won election as lieutenant governor. When Gray announced he was running for governor in 1997, he was given little chance—Dianne Feinstein, the senior senator from California, was the presumptive nominee for the Democrats. In the summer of 1997, San Francisco attorney Jerry Hallisey hosted a meeting for Gray in his conference room, and only a handful of people attended. When Gray gave a talk on education at the Commonwealth Club, he received no press attention, and most of the chairs were empty.

But, Gray persisted. When, in January 1998, Feinstein announced she was not running, two other Democrats—multimillionaire Al Checchi and Congresswoman Jane Harman—emerged as the frontrunners. Gray was third in the polls, and throughout the first two months of 1998 he was derided in political circles as “roadkill.” Then, Checchi spent millions on television ads attacking Harman. But rather than improve Checchi’s status, the ads caused both Checchi and Harman to dive in the polls.

Suddenly, in April, Gray emerged on top. “Experience Money Can’t Buy” became the Davis slogan. He won the primary easily. The general election, against Republican Dan Lungren, was expected to be close. Instead, Gray won by 15 points, the biggest gubernatorial margin in California history.

4. From many experiences over five years, let me cite two that illustrate EDD’s various community roles. In December 2000, at 3:30 in the morning, assistant director Michael Krisman and I are at the EDD office in Calexico for the Farmworkers Breakfast, a community event. The Calexico office opens at 4 a.m. during harvest times, so the time is not unusual, nor is the silent line of workers walking over the border from Mexico to work in the fields and return at night. The office, in downtown Calexico, is the hub for the labor exchange of growers, contractors, and workers that occurs early each morning as work crews assemble for the fields. Beyond job search, though, the office throughout the day offers answers to questions about local unemployment data, businesses moving into and out of the area, and generally what is happening in the local economy.

On a Friday night in August 2002, with temperatures in the Central Valley over 100 degrees, Krisman and I drive to Modesto to throw out the first ball at a minor league baseball game. The game is a fundraiser for local veterans programs, and local EDD staff serve as volunteers, selling tickets to the event, publicizing it, and taking pictures of those in attendance. At the ballpark, John Thurman Field, nearly everyone seems to know and greet the local EDD office manager, Carlotta Steele Evans, and the veterans coordinator, Mel Hodges, who live in the area and are active civic volunteers.

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The Author

Michael Bernick served as director of the California Employment Development Department, the state labor department, from 1999 to 2004. Before becoming director, he had been involved in job training on the local level in California for more than 20 years. From 1982 to 1986, he was executive director of the San Francisco Renaissance Center, a community job training agency that operated a series of literacy and vocational training classes, an early welfare-to-work program, several businesses, and an inner-city entrepreneurship center. In 1986, Bernick went into private law practice, and he continued to be active as a board member of several training agencies, including the Ella Hill Hutch Community Center, Parents of Success, Youth for Service, and the Mission Reading Clinic.

Bernick earned a bachelor's degree at Harvard University (AB 1974), a graduate degree in political philosophy at Oxford University (B.Phil 1976, Balliol College), and took his law degree at the University of California, Berkeley (JD 1979). He currently serves as counsel to the HNTB Corporation, a nationwide transportation and infrastructure firm; as special counsel to Sedgwick, Detert, Moran & Arnold, a law firm in San Francisco; and as a Research Fellow with the Milken Institute in Santa Monica. He has published more than 20 articles on employment and economic development, as well as three previous books: *The Dreams of Jobs: The Job Training and Anti-Poverty Programs of the Past Two Decades—and Their Results* (Olympus, 1984); *Urban Illusions: New Approaches to Inner City Unemployment* (Praeger, 1987); and *Transit Villages in the 21st Century* (with Robert Cervero, McGraw-Hill, 1996).

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Cover design: Alcorn Publication Design

ISBN 0-88099-280-8

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