Teach Them to Fish: 
A Menu for the Labor Market's Leftovers 

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"Give a man a fish, and you feed him for a day. Teach him to fish and you feed him for life."

SECTION 1.
A MENU FOR
THE LABOR MARKET'S LEFTOVERS

In good times and bad, there are millions of individuals who fail in or are failed by the labor market. As a result of low earnings, involuntarily part-time employment, and periods of nonemployment, 15.0 of the 82.5 million persons in the work force fifty weeks or more during 1979 had annual earnings less than what would have been provided by minimum wage employment during the hours they were willing and able to work (Table 1.1). Some among this group were secondary earners or had other sources of income, so that the welfare consequences of their labor market problems were not overwhelming. But 4.6 million had earnings so low that, even when combined with the wages and salaries of other family members, their earnings were below the poverty level. Another million full-year work force participants resided in large families whose total earnings were below poverty even though their own earnings were above the minimum wage equivalent. Though transfer payments frequently supplemented wages, 3.0 million full-year work force participants were counted among the poor, along with their dependents.

Standards of need and concern may vary, but the seriousness of these labor market problems and the severity of the resulting hardship cannot be easily dismissed. These are not individuals with a marginal attachment to work. Among the 15 million full-year labor force participants failing to achieve minimum wage earnings during their hours of availability, 4.6 million were employed full-time for at least 49 weeks. Even when their full-time, full-year earnings were augmented by the wages of other family members, 1.4 million had below-poverty family earnings, and .9 million remained in poverty after receipt of cash transfers.

The numbers counted as having labor market problems--and the numbers suffering hardship as a result--are even larger if all work force participants are considered, including those who entered or left the labor force during the year. A staggering total of 28.9 million work force participants in 1980, or one-fourth of the total, fell short of the minimum full-employment standard--i.e., their earnings did not equal the equivalent of the minimum wage for all hours and weeks each was willing and able to work. There were 6.9 million work force participants counted among the poor, and their combined earnings deficit relative to the minimum full-employment standard equalled half of the total poverty deficit.
Economic growth and tight labor markets modestly alleviate but hardly eliminate such problems. In March 1968, during a period of what now is remembered fondly as "full-employment," one in eight active or discouraged labor force participants was officially unemployed, out of the labor force due to discouragement over limited job prospects, working part-time involuntarily, or employed full-time but earning less than a poverty income over the previous year. This incidence rate was only slightly below the one-in-seven ratio which prevailed among work force participants in March 1980. 1/ If the unemployment and discouragement rates in 1980 had been reduced to the extremely low rates a decade previously, there would still have been over four million persons in the labor force full-time, full-year in 1980 with earnings below the poverty level because of unemployment or low wages, and with family incomes no more than 50 percent above poverty. 2/ In other words, the problems of the labor market's "leftovers"--those with limited skills, experience, and credentials, the victims of stunted opportunities, discrimination, and bad luck, the residents of poverty areas and declining labor markets, and those whose individual, family, or cultural problems undermine successful performance in the workplace--will not be solved by an improved economy alone.
labor market have only themselves to blame, and that hardship is a great motivator. This "let them eat cake" approach has proved more durable in rhetoric than in application. Political expediency has usually favored "bread and circuses"--providing income or in-kind support for minimal needs and diversion from the grim reality of poverty and inequality. However, neither bread nor circuses come cheap, and an alternative has always been job creation--whether the waging of wars or the building of Pyramids--to put the idle to work and make them pay for their support. With the rise of industrial societies and the increased complexity of the labor market, the options have expanded. Existing jobs can be accessed by reducing the costs of labor or certain types of labor, or by "jawboning" employers into hiring more or different persons than dictated by market forces or market mores. Reduced labor costs can stimulate employment growth, or at least a redistribution of employment opportunities. Wage subsidies to encourage the hiring of the less employable have been around since the introduction of the Speenhamland system in England in 1795. Labor market intermediation, i.e., public support of exchanges to match up workers with jobs, began in most industrial nations at the turn of the century in the belief that some or all of joblessness resulted from either ignorance of available opportunities or malingering which could be addressed by conditioning income transfers on the use of labor market exchanges.

The final approach for dealing with the excess and least productive segment of the work force is to increase their productivity through education and training. On-the-job training as a public policy is nothing new. Our nation was built on the labor of indentured servants--most of whom were debtors, the children of the poor or "undesirables" not absorbed in the European labor market and, therefore, shipped over to the new country to work and learn a trade. Institutional training and education were viewed as the primary mechanisms for absorbing and "Americanizing" immigrant populations in the early 1900s. In the last two decades, however, human resource development has emerged as a basic tool of manpower policies addressed to the problems of the "leftovers" in the economy. Unlike the income maintenance, job creation, employer subsidy, or labor market intermediation approaches, the goal of education and training efforts is not just to mitigate the symptoms of the problems, but to get at their causes, to alter not just the present but the future as well. As an old proverb moralizes: "Give a man a fish and you feed him for a day. Teach him to fish and you feed him for life."

While almost all developed countries have experienced a secular increase in active efforts targeted to the labor market's leftovers, most have also experienced cycles of activism then neglect. Nations vary over time, as well as relatively, in their emphasis on providing fish, creating jobs to work off the costs, guiding and coercing those in need to the best fishing spots, stocking the lakes, teaching fishing skills, or simply trying to ignore the reality that people are hungry. These fluctuations follow some predictable patterns. Income maintenance tends to move forward in ratchets. Social unrest or the discovery of previously "hidden" distress generates support for broad changes which frequently overshot available resources and lead to inclusion of some who are considered "malingers" and "cheaters." Exposure of these problems then offers an excuse to stabilize or even reverse the progress, until a new salient of distress is "discovered," or a new crisis generates consensus for another
action period. Job creation is tied to the business cycle. When economic conditions deteriorate, pressure mounts for a policy response, and job creation is usually the most expedient and visible remedy. When conditions improve or stabilize, the fisc runs dry, public opinion shifts and the created jobs previously considered "vital" and "productive" become perceived as idle leaf-raking. Retrenchment usually follows. Job access strategies fluctuate in a counter cycle. When tight labor markets absorb the more employable workers, employers are ready to support subsidy schemes which will help them cope with the costs of reaching further down the labor queue. When conditions normalize, the entreaties and incentives have few takers. Labor market intermediation, because of its low cost, tends to continue in good times and bad, but it becomes more fashionable when the "let them eat cake" approach is in ascendancy or when business conditions are good. Evidence of unfilled jobs is then used to support the argument that low cost placement and job search assistance activities can get everyone employed, and that the high costs of job creation, hiring subsidies, and income maintenance can, therefore, be reduced. This approach works until it is tried on more than a limited scale and the truth becomes evident that frictional problems are small in relation to structural problems—that there really are not enough jobs for those who lack skills.

Business conditions also affect the emphasis on training, education, and employability development. Investments in the future rest on the assumption and evidence that they will pay off—that once taught to fish, an individual will, indeed, be fed for a lifetime. When resources are scarce or joblessness is prevalent, the investment costs become more burdensome and the payoffs more questionable since already skilled resources are idle.

The cycles of activism and neglect, and the shifts in emphasis from one approach to another, are demarcated by periods of friction and debate. In democratic societies, such changes in public policy usually require broad consensus and compelling arguments in order to overcome the vested interests benefitting from the status quo. To build this consensus and rationale, it is almost always necessary to inflate expectations and ignore shortcomings, or, conversely, to minimize needs and to exaggerate flaws. While the policies may represent reasonable responses to changing conditions, policymaking itself is rarely a rational process. Each change in pace or emphasis is heralded as a new and permanent departure rather than a needed correction. The mechanics of gear-shifting, accelerating and braking are all consuming, leaving little time to focus on ultimate destinations.

Social policy in this country reflects these same patterns. The New Deal and the War on Poverty were active periods, followed by retrenchment and stabilization under the Eisenhower and Nixon/Ford administrations. We are now, apparently, at a turning point in another cycle. During the late 1970s, there was a dramatic expansion of public efforts on behalf of the excess and least employable segments of the work force. The Carter administration's economic stimulus package including public service employment, youth jobs, and public works, represented the largest concentrated job creation effort in our nation's history, even though few commentators have recognized its scale. This was accompanied by a massive expansion in residential skill training for disadvantaged youth and the initiation of special national programs for institutional and on-the-job training. As the stimulus took hold and employment growth accelerated,
emphasis shifted to tax credit mechanisms to encourage private employers to reach down to the disadvantaged. These incentives were complemented by private sector initiatives providing employment and training resources through business-dominated local organizations in order to better adapt public interventions to employers' needs.

These recent job creation and training efforts were mounted under the authorization of the Comprehensive Employment and Training Act (CETA) and the oversight of the Department of Labor's Employment and Training Administration. Real expenditures under CETA more than doubled between 1976 and 1980, rising to a peak of over $10 billion. Problems were inherent in such pell-mell expansion. They became visible just as overall employment growth was undermining the consensus and need for such activities, while inflation was eroding the nation's ability to pay. Not unexpectedly, criticism of CETA reached a fever pitch, particularly concerning its countercyclical job creation components. President Reagan campaigned on the promise of governmental retrenchment, and even though the Carter administration's budget had already drastically reduced CETA work components, the new administration followed through on its campaign promise by proposing and achieving the immediate elimination of both countercyclical and structural public service employment, as well as trimming youth job programs.

Throughout this turbulent period, the "T" in CETA was generally obscured by the "E" and the "A". During the economic stimulus in the late 1970s, job creation received priority and the delivery system at the federal, state, and local levels strained to reach hiring targets. Most of the action revolved around public service employment, so that CETA became synonymous with PSE, as it was called. When doubts mounted about the need for and efficacy of job creation, this identification became costly. The public's disdain for perceived "makework" was translated into a disdain for all CETA activities and for the delivery system as well. In retrospect, the administrative problems resulting from the massive CETA growth must certainly be judged as minor by any reasonable standards, but "fraud and abuse"--however isolated relative to total activities--are the lightning rods for changing public values. The administrative arrangements for the delivery of employment and training services, thus, became the subject of detailed legislative tinkering in 1978 to solve alleged shortcomings. In many ways, these changes simply made things worse--certainly more complicated. As the 1980s opened, there was widespread agreement that more substantial changes were required--perhaps even the elimination of CETA--at the end of its authorization in 1982.

Little of the criticism was focused on CETA's training components. While the public may have limited enthusiasm for "makework," there is much stronger support for training and education that increases the self-sufficiency of the disadvantaged and meets the skill needs of the economy. Nevertheless, there is a good possibility that in the fervor of budget cutting, public training investments for persons of limited employability will also be judged expendable. It is to be hoped that such decisions would consider the impacts and effectiveness of CETA training, the prospects for improved performance, and the future role of training in our economy. The detailed analysis which follows seeks to provide the information needed for this consideration. It focuses on the neglected dimension of CETA--training for the disadvantaged.
There is, of course, no exact dichotomy between training, job creation, labor market intermediation, job access and income maintenance. Subsidized public sector jobs may serve as training sites. Tax credits and other subsidy mechanisms may be a good way to "buy" jobs for those who are trained. Placement and labor market intermediation are important adjuncts to training, although they more often occur without it. Income maintenance is a fundamental component where the disadvantaged lack the resources to invest their time and energy in training. Yet if these elements are interrelated, training is certainly differentiable in that its fundamental aim is to improve the skills and competencies of individuals in order to increase future employability, rather than to maintain well-being or provide immediate employment.

The analysis concentrates on the training which occurs under the auspices of the Comprehensive Employment and Training Act simply because CETA accounts for the bulk of training activities for persons of limited employability and limited prospects. The substance of the training activities, their impacts and impact patterns, are the primary concern. CETA administrative or decisionmaking arrangements are considered only to the extent they affect training outcomes. In fact, CETA consists of several different administrative, decisionmaking, and delivery approaches for training, which can be and are contrasted to suggest ways in which training goals might best be achieved under whatever legislation replaces or modifies the Comprehensive Employment and Training Act.

Although CETA is the primary mechanism for dealing with the labor market's "leftovers," CETA training represents only a minor element of our nation's overall human resource development system. More than most other industrial countries, we rely on the education system to initially prepare our work force, with limited formalized training beyond the career entry point and with skills acquired, instead, through job mobility and cumulative work experiences. For those who do not make it in the educational system or onto a job ladder in the labor market, the options are limited. CETA training for the disadvantaged amounted to less than 2 percent of public expenditures for human resources development in fiscal 1980: 3/

<table>
<thead>
<tr>
<th>Element</th>
<th>(Billions)</th>
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<tbody>
<tr>
<td>Elementary and secondary education</td>
<td>$94.5</td>
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<tr>
<td>Higher education</td>
<td>40.3</td>
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<tr>
<td>Secondary and post-secondary vocational education</td>
<td>10.9</td>
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<tr>
<td>Military training</td>
<td>10.0</td>
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<tr>
<td>Veterans' training</td>
<td>2.2</td>
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<tr>
<td>Vocational rehabilitation</td>
<td>1.2</td>
</tr>
<tr>
<td>CETA expenditures for training</td>
<td>2.0</td>
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The private sector does not provide many alternatives. Expenditures for private vocational and technical school training in 1980 were an estimated $1.8 billion, with some of this subsidized by public funds, particularly under the veterans' training programs, and much of it beyond the means of persons with limited earnings and income. The estimates of formal training and education financed by industry are not very dependable, but a best guess is that between $5 billion and $8.5 billion were spent in 1980, excluding the wage and salary costs for training during work hours. 4/ Finally, private expenditures for elementary and secondary education were $11.9 billion and those for higher education were $19.0 billion. CETA training, thus, represented less than 1 percent of combined public and private human resource development expenditures. 5/

From any reasonable perspective, then, it is striking how little this nation commits to improving the employability of those at the end of the labor queue. Under CETA in 1980, there were 700,000 new participants in institutional or on-the-job training, representing just 4 percent of all those who experienced unemployment during the year, a miniscule .6 percent of all persons in the labor force, and less than a tenth of all persons in the labor force at least half the year whose earnings, when combined with those of other family members, fell below the poverty level. The average number in training at any point in time was less than half this level. In other words, CETA—even before the Reagan administration retrenchments—was anything but "comprehensive" in addressing the human resource development needs of persons with limited employability.

The evidence of unfilled needs is not, in itself, a proof that more training for the disadvantaged is worthwhile, and this analysis is intended as an objective assessment not as advocacy. It seeks to cut through the confusion that surrounds CETA, and sort through the massive information which has been gathered but largely unutilized, in order to determine the amount and types of training which are being provided, the numbers and characteristics of recipients, the aggregate impacts, the success determinants, the success rates for different trainee groups, the benefits and costs of training, the theoretical models which best explain these patterns, the institutional factors producing the aggregate outcomes, and the best means to improve performance. Training as a tool for improving limited employability is the concern, not CETA itself. There were other funding, decisionmaking, and administrative mechanisms for training before CETA, there are several variants under CETA, and new approaches may be needed in the future. But evidence and analysis concerning the current system's effectiveness should be the driving force of any reform, rather than anecdote and ideology which have been the primary focus in discussions of CETA to date.
SECTION 2.
A PREVIEW OF COMING ATTRACTIONS

The description and analysis which follow are extremely detailed and range from abstract theory and recondite benefit-cost calculations to "nuts and bolts" assessments of management information systems, performance monitoring approaches and regulations. The second chapter describes CETA and its training components, providing a roadmap for the complicated legislative and programmatic structure, as well as an overview of activity levels and trends, the allocation of training opportunities, and the salient features of the various training approaches. The third chapter provides the view from the "ivory tower," synthesizing the findings from a wide range of evaluations concerning the effectiveness of training activities, the causal factors and the patterns of impact in order to determine why, how, and for whom, not just whether, training works. The fourth chapter focuses on delivery and decisionmaking. It seeks to determine how policy decisions, management approaches and systems, and institutional factors produce the results which have been analyzed in the preceding chapters, and to determine how improvements can best be achieved. The final chapter summarizes the findings on training and its impacts as well as those concerning decisionmaking and delivery. It interprets both sets of findings, discusses some of the controversial underlying issues and long-term options, and provides detailed recommendations for immediate action.

The analysis is not simple. The evidence is drawn from a diverse array of sources. In almost all cases, data had to be manipulated and adjusted to focus on specific issues or to achieve comparability across sources. Particularly in the impact and benefit-cost sections, there was reliance on studies and methodologies supported by a separate analytical literature. The footnotes reference the sources of information, discuss the major interpretative issues, explain data manipulations, and provide detail to back up summary information in the text. While every effort is made to simplify the presentation, the volume of information is more than most readers would care to know, and the last chapter provides a comprehensive summary of the findings so that it can be read alone.

Yet if the evidence is voluminous and the analysis complex, the conclusions are quite simple. They may also be somewhat controversial, both for supporters and critics of employment and training programs. The most important finding is that training programs and the training system work despite substantial room for improvement and despite labor market conditions that are far from propitious. The evidence overwhelmingly indicates that CETA training for the leftovers in the labor market increases their post-program employment and earnings. Moreover, the dollars-and-cents benefits from training outweigh the costs, so that the investment pays off for society. The potential for and directions of improvement are fairly clear. While there are shortcomings in the current system, there are no villains. The system emerged to meet and did meet the needs of the last two decades, when job creation was the most critical issue. Its problems were mostly the result of unclear and changing signals, and the lack of a coherent design. The drastic decline in the number of work force entrants in the coming years will alter needs and potentials, but there is
every reason to believe that the existing delivery system, if properly
directed and realigned, can adjust to these changes and that it provides a
reasonable foundation for meeting the needs of the next two decades.

It is the basic precepts of employment and training policy--rather
than the system itself--which are challenged by the evidence:

First, a fundamental postulate of manpower policy over the last two
decades is that work experience increases employability. The evidence
suggests, on the contrary, that work per se does not improve post-program
labor market success, except when it is targeted to those entering or
reentering the labor force and needing a stepping-stone, when it is
designed as a training activity or is combined with classroom training, and
when it serves as a transition and on-the-job training mechanism into
unsubsidized employment in the public and nonprofit sectors. Job creation
may be justified because it alleviates structural and countercyclical
problems and is a preferable alternative to income maintenance, but not
because of its effects on employability. There is potential and need to
increase the training elements in work experience.

Second, CETA has been focused on short interventions intended to yield
immediate improvements in employment and earnings. Yet training pays off
most when it is long enough so that participants can achieve measurable and
certifiable competencies that are required in the labor market. For a
disadvantaged individual to attain a high school equivalency or post-
secondary training degree, or to learn almost any occupational skill, takes
substantially more time than the average duration of CETA training. Only a
small minority of participants are assigned to training that is long enough
to provide credentials and competencies that will help to feed them for a
lifetime. Perhaps only a few in a hundred participants have the endurance
or capacity for the one-, two- or even four-year training, but it is
critical to begin providing opportunities for this minority to achieve
"quantum leaps" in employability.

Third, CETA is now essentially a "one-shot" intervention rather than
an employability development system. The participant enters the door, is
assessed, assigned to a limited duration component, and then (sometimes)
placed in a job on completion. What is needed is an opportunity ladder
which individuals will mount and scale at the level and pace dictated by
their ability and motivation. This, in turn, requires a system for
measuring competencies and competency acquisition. It requires standards
of completion as well as qualitative standards for inputs. Most of all, it
requires that these standards be maintained. Some of those who now linger
in CETA's training activities without performing or progressing should be
terminated. The better classroom training opportunities, and the limited
number of on-the-job training slots should go to those who have progressed
through the system rather than to those who are most qualified when they
enter and have the least need of help. Activities should be building
blocks, with increased use of combinations such as work experience leading
to classroom training followed by training on-the-job.

Fourth, more sorting must be done among those in need. The labor
market's leftovers include individuals of widely-ranging potential, and too
little is now done for those who have greater ability and motivation. If a
second tier of advanced opportunities were added to what now exists in CETA, no one who exerted an effort would get less than under the current system, but those who exerted more effort and had more potential could advance substantially. Alternatively, the second tier might be financed by savings which could be achieved under current programs if they were focused solely on training rather than functioning as stopgaps for persons with no other options. Allowances in classroom training and wages in on-the-job training should be used as a means to reward performance, to cover the extra costs of participation, and to meet only the poverty deficits which would hinder participation, rather than providing an incentive to participate even when there is no desire to be trained. There is room for some savings in this regard, probably enough to finance longer training for a reasonable proportion of current trainees. But a tradeoff is inherent: Fewer individuals can be served when longer training is provided with any given level of resources. While the net result of adding a second tier of opportunities will be greater average and aggregate impacts for those in need, the benefits will be less broadly shared. This is only equitable if the opportunity structure is established so that all participants have an equal shot at the longer and more promising training opportunities.

Some changes are needed in law, regulations, program design, and management in light of these findings, but the bigger challenge is to alter thought processes which have guided manpower programs and policies for years. We must begin thinking about long-term impacts and "quantum leaps" not just immediate outcomes and marginal gains. A stable training system is needed rather than an ever changing array of separate training programs. There must be long-term strategies, both locally and nationally, for building a range of new opportunity tracks for disadvantaged individuals with potential. Quality, not just quantity, needs to be emphasized in curricula, in staff, and in outcomes. The employment and training system must, in every way possible, utilize existing institutions rather than maintaining segregated and frequently second-class delivery approaches for the disadvantaged.

Even with such changes, the potential of training efforts for persons of limited employability will be circumscribed unless the institutional setting is altered. As long as there are disincentives for training by the private sector, as long as the competencies and training needed to fill available jobs in the economy are uncertain, and as long as help is offered to persons of limited employability as an act of "noblesse oblige," public programs will continue to have difficulty determining and meeting private sector needs, private employers will stay at arm's length, discounting the quality of training, and public resources will remain inequitably distributed and overly concentrated on advanced education even though entry-level investments would yield more payoff in the expected labor market of the next two decades. Some of the long-term options which need to be considered are, first, a GI-Bill approach to career training and education, where all individuals would be guaranteed two years of post-secondary training or retraining to be purchased from public and private institutions by voucher; second, employer and employee taxes to cover part of the costs of this career training, with credits where the private sector provides the training itself, in order to encourage more entry training; and third, expansion of the apprenticeship system to formalize the career entry tracks and to identify the competencies and training necessary to perform career entry jobs in our economy.
While these changes in the precepts of employment and training programs and in the setting in which they operate may be considered revolutionary, they can and must be achieved through a steady evolutionary process. The current array of CETA training programs and institutions can serve as a foundation for building a more effective, equitable, and comprehensive system. The changes which are necessary in the short term are justified on their own merits, and do not require, nor do they commit the nation to, a specific long-term path. Yet they certainly make sense in terms of what can be expected in the labor market in the years ahead. There is no question that we are entering a decade when the number of excess and less desirable workers will decline as demographic trends play out. There will, at the same time, be increasing demand for minimal competencies in even the lowest-level jobs. In contrast to the situation in the 1970s, there will be abundant opportunities for successfully training those at the end of the labor queue for career entry rather than just short-term jobs. Training which is longer term and more ambitious in its aims should become more feasible.

While the weight of the evidence is convincing in suggesting the redirections for employment and training policy in the 1980s, it does not rest on proof of the failure of policies in the 1970s or on promises of massive improvements in the next decade. Training cannot help much in areas or in periods where there are massive job deficits. It can help only those who are willing and able to work to get ahead. Only a minority will be "fed for a lifetime" by the skills and credentials they can reasonably be expected to acquire. Yet with a changing economic scenario and realizable improvements in design and management, training can be an even more profitable public investment than it has proved in the past. The evidence which follows suggests that priority in the policy mix for the "leftovers" in the labor market should be placed on "teaching them to fish."
NOTES


