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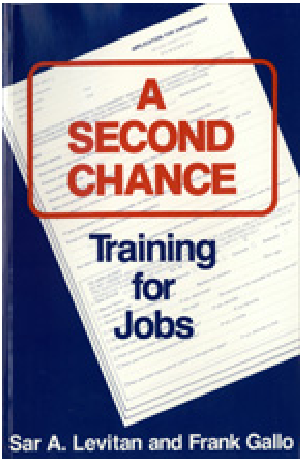
A Continued Federal Commitment



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A Continued Federal Commitment

On October 13, 1982 President Reagan signed into law the Job Training Partnership Act to help unskilled and deficiently educated poor individuals to compete in the labor market. The law replaced the much maligned Comprehensive Employment and Training Act (CETA) and continued — albeit with substantially less funding — federal efforts to provide training for the poor which began in 1961. Federally financed training assistance reflects a national consensus that many people fail in or are being failed by the labor market not only in recessions, but even in prosperous times. In mid-1987, during the fifth year of the recovery from the 1981-2 recession, over 7 million Americans were unemployed. This represents the highest level of joblessness in a sustained recovery period since the end of the Great Depression a half century ago.

Those in Need

Thirty-three million people experienced labor market problems at some time during 1985. Some had multiple difficulties: 21 million suffered unemployment, 14 million worked part time because they could not find full-time jobs, and 4 million full-time workers earned less than $6700 — minimum wage earnings for a full year of work. Preliminary 1986 data indicate little change. Of those unemployed at some time during the prior year, 21.4 percent had family incomes below the poverty line. In contrast, the poverty rate for those without any unemployment was 5.4 percent.[1] Even those who work full time year-round are not assured a minimally acceptable living standard, as nearly two million such individuals were impoverished in 1985, up 44 percent from 1979.

The unemployment rate has crept upward over the past two decades, and economic and productivity growth has been sluggish since the 1973 OPEC oil embargo precipitated a major recession. The changing structure of American families has also augmented labor market hardships. While the entrance of more wives into the workforce has clearly benefited some families, increasing numbers of divorces and out-of-wedlock births have had a negative impact on family incomes. Single mothers and households of single persons and unrelated individuals tend to have significantly greater unemployment and poverty problems than two-parent families.

A large proportion of unemployment and low earnings — as much as half or more over a decade-long period — is accounted for by a small proportion of individuals with lengthy unemployment spells or chronically low wages.[2] Deficient educational attainment is a major factor associated with employment problems. The minimum education necessary to compete in the labor market has greatly increased in this century. However, according to a survey by the U.S. Department of Education, nearly 13 percent of adults in this country are functionally illiterate.[3] In 1984, adults with less than a high school education experienced over four times as much unemployment as those with four or more years of college, and the latter earned 2.5 times as much as the less educated group.[4]

Economic difficulties are also particularly concentrated among minorities, youth, and women who maintain families. The incidence of black unemployment and poverty is more than twice that of the rest of the population. While not quite as bleak, Hispanic unemployment and poverty also far exceed that of the total population.

Of all age groups, youth are most vulnerable to unemployment. The level of teenage joblessness is about three times that of adults, and that of the 20-24 age group is 75 percent higher. Black youth joblessness is especially severe: only four of ten black teenagers are in the workforce, and of the remainder two of five are unemployed.

Unemployment in female-headed families is 70 percent higher than in married couple families, and the poverty rate is five times higher. More than half of the black and Hispanic women who maintain their families are poor. Almost one of every six families, and more than two of five black families, are headed by women.

The foregoing groups have traditionally experienced employment problems, but in recent years the problems of dislocated workers have also gained increasing attention. Increased foreign competition and a severe recession during the early 1980s eliminated large numbers of jobs in the goods-producing sector, especially in manufacturing. It is difficult to determine the exact causes of dislocation, but its unemployment impact is not in doubt. Between 1981 and 1985, 10.8 million workers 20 years old and over lost their jobs due to layoffs from which they had not been recalled or to plant closings. A Bureau of Labor Statistics analysis of displaced workers who had three or more years job tenure found that only two-thirds were reemployed in January 1986. Eighteen percent were unemployed, and the remaining 15 percent had dropped out of the labor force. As in the case of other jobless workers, the unskilled and deficiently educated displaced workers tended to fare worst.[5]

The number of persons in need of job-related assistance represents a substantial proportion of the working age population. The following figures are not additive because of overlapping categories, but provide an idea of the dimensions of the problem:[6]

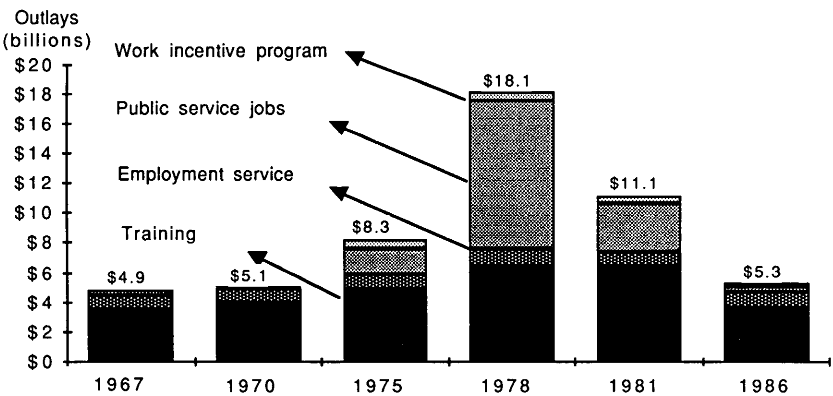
Characteristics	Number (millions)
Total poor (16-64 years old)	17.8
Blacks (16-64)	4.4
Hispanics (16-64)	2.7
15-24 year olds	6.6
Single mothers (15-64)	3.3
High school dropouts (25-64)	23.6
Dislocated workers (20-64)	3.1

Each of these groups may require different strategies to improve their employability. Young people, who tend to have little labor market experience, may benefit from learning basic job search skills. Disadvantaged youth without adequate skills can profit from programs providing high school equivalency or vocational training. The discrimination often faced by minorities may be overcome by partially subsidizing employers for on-the-job training costs and by government enforcement of equal opportunity laws. Women who maintain families frequently require child care assistance to successfully complete a training course. Displaced and older workers usually possess substantial work experience, and may only need job placement assistance. However, displaced employees who have worked for years in a now obsolete occupation may need to be retrained for an entirely new career.

The Expanding Federal Role

Although the federal government has promoted the welfare of the citizenry since the earliest years of the republic, sustained employment and training efforts focused on the disadvantaged emerged only a quarter century ago. Starting with a modest appropriation of $10 million under the Area Redevelopment Act of 1961, annual appropriations increased a thousandfold within two decades before declining during the 1980s (figure 1.1).[7]

Figure 1.1
Federal employment and training financing and services have fluctuated drastically over the past two decades (1986 dollars).



Source: U.S. Office of Management and Budget

Persistent unemployment in the early 1960s resulted in the enactment of the Manpower Development and Training Act of

1962, the first major expansion of federal training efforts. MDTA initially provided retraining for experienced workers dislocated by automation, but was later redirected toward the poor.

In 1963, congressional attention turned toward youth as the first baby boomers reached age 16 and began entering the labor force. Congress expanded support for a federal vocational education program that dated back to 1917.

The Great Society

In 1964 the nation's attention focused on the plight of the poor in response to President Lyndon Johnson's declared "war on poverty." Economists were predicting that projected federal budget surpluses would impede economic growth. What better way to spend the surpluses than to help build a better society? As part of its antipoverty efforts, the 1964 Economic Opportunity Act created two new youth employment programs: the Job Corps, a residential training program; and the Neighborhood Youth Corps, providing work experience. Work experience was also used to help needy adults, including public assistance recipients. Adopting the notion that the wearer, not the cobbler, knows where the shoe pinches, the legislation favored "maximum feasible participation" of the poor in setting program policy. The institutional result was the emergence of community action agencies and community-based organizations as advocates for the poor and deliverers of services, including employment and training assistance.

Meanwhile, the unemployment rate remained stuck between 5 and 6 percent throughout 1963 and the first half of 1964 — a rate considered high at that time. Post World War II economic textbooks had preached that a tax cut — without an offsetting reduction in government expenditures — would help reduce unemployment by stimulating demand for the purchase of goods and services. In 1964, Congress tested this theory, cutting federal personal and corporate income taxes by approximately $14 billion while moderately increasing expenditures. The action was strikingly successful. Unemployment declined to 5 percent by the end of the year, and further dropped to 4.5 percent by the summer of 1965 on the heels of a $5 billion excise tax cut, when deficit spending to finance the Vietnam War took over as the engine for job creation.

By 1965, America's reemergent social conscience addressed the needs of the physically and mentally handicapped, millions of whom were unable to effectively compete in the labor market. The federal government had previously enacted a comprehensive rehabilitation program for World War II and Korean War veterans; new legislation expanded federal vocational rehabilitation efforts for other disabled persons.

In 1966, Congress experimented with small public jobs programs for adults not on welfare, the first such efforts since the Great Depression. New Careers trained the poor and undereducated for paraprofessional jobs, and Operation Mainstream employed older rural residents at conservation tasks. New Careers failed partly because the training required a long-term commitment and because of resistance by professionals protective of their jobs and status. Operation Mainstream limped along with limited funding until it mushroomed into a more comprehensive, multibillion dollar public service employment program five years later. Also in 1966, the Adult Education Act initiated federal educational assistance for high school dropouts and illiterate adults.

Attention turned in 1967 to welfare recipients. Despite strong economic growth since the early 1960s, Aid to Families with Dependent Children program recipients had almost doubled since the beginning of the decade. The cry was raised that if the program continued to grow at this rate, we would all be driven into the poorhouse. Congress responded with the Work Incentive Program, called WIN for short (the acronym WIP was shunned). Work experience and supportive services would enable welfare recipients to secure jobs, economic independence and — as some members of Congress hoped — "get 'em off our backs."

Government efforts notwithstanding, unemployment in many inner cities remained a serious problem. Dozens of riots broke out in the mid-1960s, from Watts to Detroit to the nation's capital. One result was the Concentrated Employment Program of 1967, which put antipoverty and training funds in the hands of mayors, county officials, and community-based organizations to boost job opportunities in poor neighborhoods.

Until 1968, the Great Society's employment and training initiatives had been designed almost entirely by federal agencies. With rising social unrest, the private sector began to pay increasing attention to inner city conditions. President Johnson, seizing upon this concern, created the National Alliance of Businessmen — the "men" was later dropped — to encourage employers to accept direct responsibility for combating discrimination and poverty.

However, by the last year of the Johnson administration, the political pressure to ameliorate the lot the of poor had crested. Economic growth and new government initiatives helped reduce poverty substantially in the 1960s, but dreams of total victory had proven illusory.

Nixon and the Comprehensive Employment and Training Act

The Nixon administration came to power with only one positive commitment in the employment and training field: to consolidate and at the same time decentralize the diverse programs which had emerged during the 1960s. Congress was prepared to accept this approach only if it was accompanied by a public sector job creation program. The administration, however, strongly opposed what it considered "make work" jobs.

The recession of 1970-1 and the approaching presidential elections generated sufficient political pressure to induce President Nixon to sign the 1971 Emergency Employment Act authorizing a public employment program. A $2.25 billion appropriation allowed state and local governments and nonprofit organizations to hire some 150,000 unemployed persons.

Nixon's support of public employment was short-lived. Following his 1972 landslide reelection, Nixon attempted to dismantle the Great Society. Watergate intervened, however, and amid a period of disarray in the executive branch the Labor Department negotiated directly with Congress to create the Comprehensive Employment and Training Act (CETA). Enacted in December 1973, the CETA compromise called for locally-managed but federally-funded training and public sector job creation programs. After years of debate over the appropriate scope and locus of service delivery, Congress gave local governments broad discretion to tailor job training programs to community needs. CETA also authorized a standby public service employment program, to be implemented whenever national and local unemployment rates rose too high. Although most programs were to be managed at the local or state level, the federal government continued to operate the Job Corps for youth and programs for Indians and farmworkers.

CETA began under the least propitious circumstances, arriving simultaneously with the OPEC oil embargo which quadrupled crude oil prices and induced a recession. The new employment and training program was overwhelmed by unemployment, which climbed from a 5 percent rate at the beginning of 1974 to over 7 percent by December. President Gerald Ford reluctantly agreed to a new public service employment program, shifting CETA's focus toward job creation rather than training. Unemployment peaked at 9 percent in the spring of 1975 and averaged 7.7 percent in the 1976 election year. Ford acquiesced to a congressional extension of the public service employment program shortly before the election, but vetoed Democratic efforts to further increase funds for job creation.

A Major Expansion Under Carter

In 1977, the executive reins returned to the Democrats, who after eight years out of power vigorously promoted new employment and training initiatives. The Youth Employment and Demonstration Projects Act of 1977 (YEDPA), expanded funding for public service jobs, and employment tax credits were quickly enacted. Together these programs constituted a major if short-lived commitment of resources to combat unemployment.

The New Jobs Tax Credit of 1977 offered employers incentives for expanding their workforce. In its brief two-year lifespan, over $4 billion in tax expenditures boosted overall employment. The program was not restricted to the disadvantaged.

The highest priority, however, was to ameliorate unemployment among poor youths. YEDPA was a combination of traditional work experience and skill training programs with experimental research projects. Another innovation directed primarily toward youths was the Targeted Jobs Tax Credit of 1978 (TJTC). Similar to the expiring New Jobs Tax Credit, TJTC offered employers a substantial tax credit for employing poor youths and other impoverished individuals.

Another major employment initiative of the Carter administration was an expansion of public service employment under CETA from 300,000 to 750,000 job slots in nine months. The pressure to quickly fill these jobs resulted in isolated, though highly publicized, cases of careless management and enrollment of ineligible applicants that were to haunt CETA for the rest of its limited life.

The last major employment and training development during the Carter administration was a 1978 revision of CETA. Amendments reduced the discretionary authority of state and local governments, confined eligibility for public service employment to the poor, and initiated a new training program which involved private sector representatives in program planning and implementation. The changes improved the operations of CETA and addressed concerns of financial mismanagement, but did little to boost the program's image.

The Job Training Partnership Act

In a clear break with past federal policy, President Reagan mounted a concerted effort to sharply cut employment and training spending along with other antipoverty programs. CETA public service jobs were eliminated in 1981 with little dissent, as exaggerated and highly publicized abuses had undermined the program's support. Negative images of public employment as "make-work, dead-end" jobs had triumphed. Reagan administration appointees ignored evidence that supported the program, and confidently predicted that the private sector would reabsorb displaced public service employees. However, later studies showed that these individuals experienced severe reemployment problems.[8]

CETA's scheduled September 1982 expiration prompted a lengthy debate over the act's remaining job training sections.[9] By early 1982, three major proposals emerged. House Democrats favored a program similar to CETA, but with increased business involvement. The Reagan administration favored terminating the program and shifting the responsibility to states and localities. As an interim step, however, the administration supported a block grant arrangement with federal financing but state control over program operations. The Senate Republicans' compromise solution favored continued federal oversight with a substantial delegation of authority to states and business officials.

As the recession deepened and unemployment rose, Congress balked at the administration's proposal to end federal support of job training assistance. The debate then shifted to the design of a new program, centering on four contentious issues: how much should be spent; whether enrollees should be given cash assistance as well as training; the proper division of authority among federal, state and local government; and the degree of business involvement.

Although the jobless rate was approaching 9 percent, President Reagan's budget, introduced in January 1982, recommended $2.4 billion for job training, only a fourth of the amount appropriated prior to his election. Senators Dan Quayle and Edward Kennedy proposed a bipartisan bill carrying a price tag of $3.8 billion. Representative Augustus Hawkins offered a $5.4 billion proposal, but a cost conscious House reserved only $3 billion for job training. In the final legislation, Congress evaded the funding issue by allocating "such sums as may be necessary" for JTPA. The only exception was the widely praised Job Corps program, budgeted at $618 million for fiscal 1983. Subsequently, Congress appropriated $3.7 billion for JTPA's first full year.

The House Democratic bill initially proposed reviving public service employment. Because of adamant administration opposition, the Democrats decided to strike the job creation proposal to facilitate passage of the training bill. Once this concession was made the issue of income support payments to trainees became paramount. The Democrats considered stipends to trainees and other support services, such as child care for mothers with young children, essential to sustain trainees with little or no outside income. But the administration countered that by devoting over half of its training budget to cash payments and support services, CETA became a disguised welfare program, and the president insisted on limiting outlays exclusively to training and administrative expenditures. The bitter controversy peaked when the House threatened to enact a simple extension of CETA if the administration refused to compromise. Faced with nearly 10 percent unemployment and congressional elections a month away, the administration relented. The compromise required that local job training sponsors spend at least 70 percent of their allocation for training. No more than 15 percent could be devoted to administration. A limit of 30 percent was applied to support services and administration combined. The limitations could be waived if a locality suffered high unemployment, faced unusually high child care or transportation costs, or offered lengthy training courses.

The appropriate division of responsibility between federal, state and local government has been debated since the federal government first enacted job training legislation. Under the initial CETA legislation, local elected officials were largely responsible for program administration. Rising unemployment and program abuses — greatly exaggerated by the media — stimulated greater federal intervention, but by the early 1980s the administration sought to eliminate federal responsibility entirely, prompting an ideological debate between advocates of sustained federal involvement and those who favored a passive federal role. The administration and Senate Republicans proposed to delegate most of the federal government's administrative authority to state governors. House Democrats favored continuing the CETA model, which divided administrative responsibility between federal and local authorities. Although the state role under CETA was minor, inexperience was not necessarily a drawback because governors were not stigmatized by CETA's widely publicized abuses. The National Governors' Association lobbied hard for expanded state responsibility. In response the local governments which had administered CETA — represented by the National Association of Counties, the U.S. Conference of Mayors, and the National League of Cities — argued that President Reagan's federalist principles should naturally cause him to favor administration by the government closest to the people. Out of this struggle emerged a somewhat ambiguous compromise which ensured that the question of program authority would not be settled until JTPA got underway. Although significant responsibilities were retained at the federal level, the law delegated most oversight duties to state governors. To facilitate state authority, 22 percent of the funds for JTPA's largest training program and all dislocated worker financing were allocated directly to the governors. Decisions on who should be served and how to serve them were left to local administrators, within the limits of the law.

Another thorny administrative issue concerned the role of business representatives. Apart from offering on-the-job training, business was hardly involved in federal employment and training programs until CETA's 1978 reauthorization created a Private Sector Initiative Program (PSIP) and established private industry councils (PICs) to advise local programs. Job placement rates were higher under PSIP than CETA programs administered by local governments, probably because PSIP served a more qualified clientele. However, the National Alliance of Business and the U.S. Chamber of Commerce argued that the PSIP experience proved the importance of business leadership in building a successful job training program. The idea found ready acceptance in an administration which fervently believed that business was inherently more efficient than the government. However, the claims made on behalf of business involvement were not universally shared. Arguing that employers were primarily interested in maximizing profits and largely disinterested in hiring the poor, opponents contended that the potential benefits of business involvement were greatly exaggerated. Expanded business authority was also contested by the various interest groups representing local elected officials.

Each of the three major job training bills offered as a substitute for CETA in 1982 envisioned an enlarged employer role. However, the administration and Senate proposals went much further than the House Democratic bill, which would have largely retained the authority of local elected officials. The final JTPA compromise gave business greatly increased power at the local level, but attempted to ensure that employer representatives and elected officials would be equal partners in designing and administering local programs. The PICs were transformed from an advisory to a policymaking council with a required majority of business representatives. Local training plans had to be jointly approved by the PICs and local elected officials, with disputes resolved by the governor.

Despite the general emphasis on reduced spending, the addition of a new program for retraining dislocated workers was not controversial. The problem of dislocated workers was viewed as increasingly acute during the early 1980s because of increased foreign economic competition, the continued relative decline in manufacturing employment, and the deepening recession. Although many dislocated workers had previously possessed good jobs, the difficulty they experienced in regaining employment was thought to justify federal intervention.

Several other new features in JTPA were also added with relatively little controversy. The most important of these concerned performance standards, or numerical criteria used to assess local program success by gauging job placement rates, participants' earnings and training costs, among other factors. Performance standards had evolved under CETA, but JTPA instituted mandatory national targets. The law established monetary awards for successful programs and sanctions against localities which performed poorly.

Congress also supported increased coordination between job training and related social programs. This objective was not new, but it did receive increased attention during the 1982 debate. JTPA incorporated amendments promoting coordination between JTPA and public employment offices and welfare programs. The law vested principal responsibility for coordination with the governor's office and allocated funds directly to governors for coordination activities under JTPA's principal training program.

Congress adopted two other significant administrative provisions designed to avoid problems which had plagued CETA. JTPA was authorized as a permanent program to eliminate wrenching quadrennial reauthorization debates. Second, to provide localities with adequate lead time to plan the coming year's expenditures, JTPA's operating year was scheduled to begin in the July following the start of the federal government's fiscal year in October. For example, JTPA program year 1988 begins July 1, 1988 and ends June 30, 1989; the federal fiscal year 1988 begins on October 1, 1987.* CETA local planners often were not informed of their allocation until the fiscal year was underway because Congress made belated decisions on appropriations.

Although JTPA's passage was marked by extended and heated debate, the political and economic climate during 1982 made it

*Following JTPA's practice, references to years in this study denote program years.

reasonably certain that a federal job training program would be enacted. Rising unemployment and the approaching 1982 mid-term election placed enormous pressure on the nation's leaders. From a trough of 7 percent in mid-1981, the unemployment rate exceeded 10 percent by the fall of 1982. Once Congress approved JTPA, President Reagan's initial opposition to continued federal support of training did not prevent him from claiming credit for a program he had long opposed.

Like CETA, JTPA encompasses a number of separate programs. The centerpiece of the law is Title II, which provides training grants to states, a summer jobs program for youth, and set-aside funds for education and older worker programs. Title III addresses the needs of workers dislocated due to foreign competition or technological change. Title IV continues a variety of CETA programs whose administration remains the direct responsibility of the federal government. These include the Job Corps as well as programs designed for migrant and seasonal farmworkers, Indians, and veterans (table 1.1).

Table 1.1
JTPA Program Components

Program	1987 appropriation (millions)	
Total	$3,656	
Title IIA Adult and youth programs	1,840	
State education coordination and grants		147
Training programs for older individuals		55
Title IIB Summer youth programs (1988)	750	
Title III Dislocated worker programs	200	
Title IV Federally administered programs	866	
Job Corps		656
Native American programs		62
Migrant and seasonal farmworker programs		60
Veterans' employment programs		10
Technical assistance, research, and pilot projects		79

Source: Congressional appropriations

JTPA's character was more strongly influenced by the political and economic climate of the early 1980s than by drawing on the experience of two decades of federal employment and training programs. Studies of CETA demonstrated that the program was generally a success and not a debacle.[10] Rather than reforming CETA, however, Congress chose to overhaul the system. Most of JTPA's new elements — state and business leadership, the prohibition of public service jobs, and radically reduced income support payments — were inspired more by faith than evidence. The heart of the program, the type of training which enrollees receive, was virtually ignored during the legislative debate. Whatever the merits of the law that emerged, the torch was passed to the new public-private partnership.