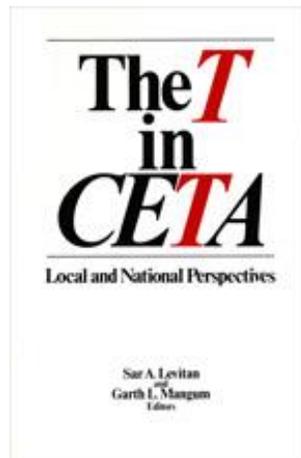

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A Review of CETA Training

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Alternatives for the "Leftovers"

There are, at a minimum, four million persons age 16 and over whose employment and earnings problems are so serious that they cause economic hardship. The structural problems of these low earners, totally and intermittently unemployed, involuntarily part-time and discouraged workers, are only modestly alleviated by economic growth and tight labor markets. Millions of individuals lacking education, skills, experience, equal opportunity or good fortune will be "leftovers" under any reasonable economic projections for the foreseeable future.

There are several options for dealing with these "leftovers." They can be ignored and left to make do with what is available in the labor market and income maintenance programs. Alternatively, the "safety net" of transfer programs can be improved to reduce the hardship resulting from their employment problems. Financial incentives and appeals to corporate conscience may be used to encourage employers to reach further down the labor queue. Job placement and economic development strategies might try to better match these workers with available jobs. Subsidized jobs may be created for them. Finally, training may be provided in order to improve their ability to compete in the labor market.

Job Creation and Training Levels

Since the Great Society, and particularly under the Carter administration, active efforts to address the causes and

alleviate the symptoms of these structural problems increased exponentially. Employment and training activities have been a major growth area of social welfare policy. In constant 1980 dollars, total expenditures rose from next to nothing at the beginning of the 1960s to the billion dollar level in fiscal 1965; they doubled again within the next year; redoubled by 1972; and then tripled between 1972 and 1978, before dropping precipitously at the close of the decade. Training expenditures rose, in constant dollars, from near zero at the start of the 1960s to \$650 million in 1968 and to \$1.9 billion in 1980.

The relative emphasis on training and employment approaches has fluctuated, but training has declined as a proportion of combined expenditures, representing the predominant activity until the War on Poverty, declining to 63 percent in 1969 and to only 15 percent of expenditures in 1978. Despite the rapid growth of real training expenditures and the multi-billion dollar pricetag, remedial efforts for the "leftovers" in the labor market represent only a small share of our nation's total education and training activities and reach only a small portion of the universe of need. Public expenditures for higher education and vocational education in 1980 were twenty-five times those targeted to persons at the end of the labor queue. In 1980, new participants in targeted training represented only 1 percent of the labor force. The average monthly enrollment in training programs represented less than 5 percent of average unemployment.

Training Approaches

The Comprehensive Employment and Training Act is the legislative umbrella for most of the employment and training programs for the disadvantaged. Under a complex array of separate categorical authorizations, it provides funds by formula to states and localities for activities they design and manage within the framework provided by federal law,

regulations and oversight. It also funds national programs for special needs groups, as well as the Job Corps, a nationally-operated residential training program for severely disadvantaged youths. CETA provides four categories of training: (1) Job Corps is a structured program of vocational instruction, basic education, work experience, counseling, health care, and living experiences in a residential center; (2) local classroom training is a full-time activity, which includes occupational instruction as well as basic education and other remediation in an institutional setting; (3) on-the-job training is a full-time activity, where a participant is hired by an employer and trained primarily at the worksite, with public funds covering the extra costs of supervision and training; and (4) supplemental training is a part-time or short-term activity enhancing subsidized work experience or a limited intensity service to help in the transition into the labor force.

Job Corps is the most comprehensive and intensive program and focuses on the most disadvantaged among those in need—young school dropouts from poor families. It cost over \$13,000 a training year in fiscal 1980. Local classroom training, which is nonresidential and deals with a somewhat more employable group, had a cost of \$8,000 per year. On-the-job training serves the most employable of those in need and had a cost of \$6,000. Supplemental training for participants in subsidized public service employment (PSE) cost \$2,700 per training year. Transition services—largely for in-school youth—averaged \$800 per service year.

The Nature of Training

CETA training is typically short-term, aimed to prepare the participant for entry level occupations or to provide basic educational credentials or English competency. Job Corps is most ambitious, with an average duration of stay for *completers* of 1.2 years. However, there is a high early dropout

rate with 40 percent of participants leaving before 90 days and another 30 percent leaving before full completion, so that the average duration of stay is 6.0 months. Local classroom training averages 5.5 months for completers, but because of early dropouts, the average duration of stay is around 5.1 months. On-the-job training averages 4.3 months.

Job Corps vocational training is concentrated in the construction trades, automotive and machine repair, health and food services, and clerical occupations. Local classroom training is predominantly in the clerical, craft, and service fields. Local on-the-job training is mainly in the clerical, operative and nonconstruction craft occupations.

All Job Corps participants receive basic education or GED preparation along with vocational training and a comprehensive array of manpower and supportive services. A fifth of local classroom trainees are exclusively in education activities and another fifth are in a combination of vocational and educational activities. There is very little preparatory work for OJT, since the training mostly occurs at the worksite. Half of classroom trainees and a smaller portion of OJT participants receive a much more limited level of such services.

Who is Trained?

Job creation receives priority over *training* under CETA. Classroom training was available for less than a fifth of new enrollees in local programs in fiscal 1980, or three in ten excluding the summer program, while OJT was available for less than one in twenty, or 8 percent excluding the summer program. Enrollments in Job Corps accounted for only 5 percent of youth enrollments in CETA local programs.

| | Total Participants (in thousands) |
|---|--|
| Primarily Training | |
| Local classroom training | 750 |
| OJT | 181 |
| Job Corps | 95 |
| Supplemental Training | |
| PSE training | 250 |
| Transition services | 116 |
| Job Creation | |
| Summer youth employment | 705 |
| In-school and out-of-school youth employment | 330 |
| PSE | 870 |
| Adult work experience | 400 |

The chances of assignment to a training component rather than a work component vary significantly among different groups in the CETA eligible population. Local classroom training is most often used for persons of the most limited employability. Females, Hispanics and “other” minorities, dropouts, single parents and persons with inadequate English-speaking ability, have above average chances of assignment to classroom training, while younger and older participants, whites, males and high school graduates are more likely to receive other assignments. In marked contrast, on-the-job training slots are more likely to go to the most employable among the CETA population—whites, males, graduates, and parents in two-parent families. Job Corps is restricted to poor youth age 16 to 21 who are from deprived backgrounds so that they need residential treatment. To some extent, Job Corps is the “program of last resort” for youth who have dropped out of school (85 percent of enrollees), been rejected by the military (one of every four) or had trouble with the law (two of every five). Those new enrollees in Job Corps in 1980 who had less than a high school diploma represented one-third the enrollments of poor dropout youth in all CETA local programs.

Earnings Impacts

Studies of the categorical programs which preceded CETA generally found that classroom training increased the post-program earnings of participants, typically between \$250 and \$300 in the year after termination. Studies of OJT usually estimated a high payoff, typically ranging between a \$400 and \$900 increase in annual earnings. Past assessments of Job Corps reached very mixed conclusions, while studies of adult basic education documented increased earnings.

New evidence is available concerning the post-program earnings relative to control groups for 1977 Job Corps participants and fiscal 1976 local CETA participants. Classroom trainees earned \$350 more in the year after leaving than a comparison group, an increase of 10 percent in annual earnings. On-the-job trainees gained \$850, an 18 percent increase. These post-program earnings gains were in contrast to the patterns for fiscal 1976 work experience participants who, at best, broke even relative to like nonparticipants.

**Social Security Reported Earnings Levels
Relative to Comparable Nonparticipants
(Fiscal 1976 Entrants Terminating in Calendar 1976)**

| | 1977 | 1978 | Change 1977 to 1978 (adjusting for inflation) |
|---|-------|-------|---|
| Classroom Trainees | \$347 | \$442 | + 18% |
| On-the-Job Trainees | 839 | 574 | -36 |
| Public Service Employment Participants | 261 | 326 | + 16 |
| Work Experience Participants | -149 | -187 | -17 |
| Participants in Combina- tions of Activities | 356 | 164 | -57 |

The procedures for selecting the comparison groups and for measuring post-program earnings using Social Security records were as rigorous as possible and generally conser-

vative so as not to exaggerate impacts, yet there are many technical issues inherent in the ex post facto matching of participants with nonparticipants, and in the use of Social Security data to estimate earnings. Nevertheless, the results are confirmed by follow-up interviews of the participants in different components. Comparing second-year post-program earnings for second-half fiscal 1975 CETA entrants, and adjusting for differences in measurable demographic characteristics and pre-program experiences, classroom trainees gained \$588, and OJT participants gained \$965 relative to adult work experience participants, or roughly the same relative magnitudes as estimated for 1978 by matching 1976 participants with controls. It appears, then, that earnings impacts are substantial for both classroom training and OJT, and that they *increase* over time for classroom training while declining for OJT.

Estimates of Job Corps impacts are more rigorous because the comparison group could be more carefully selected. Job Corps increased the civilian earnings of 1977 participants by \$209 above those of the comparison group in the first post-program year and \$487 in the second year. This represented an 8 percent earnings increment in the first year and a 13 percent increment in the second. Job Corps also increased military enlistment substantially, so that the total earnings impacts were even greater.

Who Benefits From Training?

Based on the evidence for 1976 local CETA participants, it appears that all race, sex and age groups benefit significantly from on-the-job training when compared to like nonparticipants. Female participants, persons with low or no earnings before entry, and middle-aged participants did particularly well in classroom training. The measured gains from classroom training increased substantially between the first and second post-program years, particularly for

females. All groups gained more from OJT than work experience, and all except minority females gained more from classroom training than work experience (although this judgment about the relative payoffs of work vs. training is hedged somewhat by technical issues about the measurement of earnings of work experience participants getting jobs in the public sector).

Female Job Corps participants gain more than males in terms of earnings, although males gain slightly more in terms of hours of employment. Females without children do somewhat better than females with children.

The Anatomy of Gains

Increased *employment* rather than increased *earnings rates* account for most (though certainly not all) of the real earnings gains. For fiscal 1975 classroom trainees, over four-fifths of the increase in real annual earnings from the year prior to entry to the first year after termination resulted from a rise in the percent time employed. Comparing the pre-entry to the second post-termination year, increased employment accounted for three-fourths of the real gain. Approximately half of classroom trainees with employment before and after participation had lower real hourly wages in the second post-termination year than in the year before entry. For fiscal 1975 OJT participants, increased employment accounted for all of the real earnings gain in the first year and four-fifths of the gain between the pre-entry and second post-termination year. Among on-the-job trainees, however, two-thirds with previous earnings kept ahead of inflation in their hourly wages. Fiscal 1977 Job Corps participants earned 11 percent more than controls in the first two post-program years but worked 16 percent more hours; in other words, *all* their gains came from increased worktime. These averages are the result

| | 1977-1978 SSA earnings relative to controls for 1976 classroom trainees | 1977-1978 SSA earnings relative to controls for 1976 classroom trainees minus earnings relative to controls of work experience participants | 1977-1978 SSA earnings relative to controls for 1976 on-the-job trainees | 1977-1978 SSA earnings relative to controls for 1976 on-the-job trainees minus earnings relative to controls of work experience participants |
|-----------------|--|--|---|---|
| White Male | \$ 832 | \$1,757 | \$1,363 | \$2,288 |
| Minority Male | 349 | 450 | 1,675 | 1,776 |
| White Female | 1,220 | 1,221 | 1,102 | 1,103 |
| Minority Female | 1,178 | 442 | 1,924 | 1,188 |
| 17-18 | 413 | 184 | 1,932 | 1,703 |
| 19-21 | 225 | 1,017 | 1,335 | 2,127 |
| 22-25 | 326 | 831 | 1,194 | 1,699 |
| 26-29 | 453 | 1,685 | 1,159 | 2,391 |
| 30-44 | 2,310 | 2,944 | 1,541 | 2,175 |
| 45 + | 1,043 | -322 | 1,680 | 3,045 |

of many individuals moving up in wages, some moving down, with a greater likelihood that more marginal participants will find employment but at low wages. It appears that employment gains are more pronounced immediately but then lead to higher earnings rates gains as individuals prove themselves or use their skills in their new jobs.

The increase in employment, in turn, appears to result more from increased labor force participation than from reduced unemployment. Among local classroom trainees in second half fiscal 1975, the increase in the percentage of time in the labor force from the pre-entry to first post-program year equaled two-thirds of the increase in percentage time employed for all trainees, while the increase from the pre-entry to second post-termination year accounted for half the employment time increase. Three-fifths of the net increase in time employed from the pre-entry to second post-program year for classroom trainees was accounted for by individuals who had zero earnings in the pre-entry year. For OJT participants, two-thirds of the employment gains in the first year were also explained by increased participation, and zero earners before entry accounted for 45 percent of the net increase in percent time employed from pre-entry to the second post-termination year. For 1977 Job Corps participants, increased labor force participation over the two post-program years also accounted for two-thirds of the increase in employment.

Success Factors

The impact of institutional training is determined by the duration of stay and placement. All of the post-program earnings gains for 1976 classroom trainees were accounted for by the group entering employment on terminating the program. While it is not surprising that those immediately employed had higher near-term earnings relative to controls or relative to other participants not placed, it is significant

that the differentials remained substantial two years later, even after refined adjustment for most of the observable differences between those placed and not placed.

The earnings impacts of training increase more than proportionately with its length. The estimated annual earnings gains of 1976 classroom trainees staying one to 20 weeks were only one-sixth those of participants staying 40 or more weeks.

**1978 Earnings Gains
of 1976 Classroom Trainees**

| | |
|----------------------|-------|
| Stayed 1-10 weeks | \$ 83 |
| Stayed 11-20 weeks | 224 |
| Stayed 21-40 weeks | 832 |
| Stayed over 40 weeks | 1377 |
| Placed | 1209 |
| Not placed | 8 |

Job Corps males who stayed less than 90 days, and those who did not continue to completion were earning the same as controls during the period 12 to 18 months after termination; in contrast, those completing a vocational program earned \$1,250 more on an annualized basis. Early female dropouts gained \$300 on an annualized basis, partial completers \$750, and full completers \$1,500.

Trainees who stay longer are also more likely to be placed. Several factors are involved which cannot be clearly separated. Sorting occurs in that those who stay longer have measurable characteristics that are predictive of post-program success. The sorting is greater in Job Corps, where only three of ten participants are full completers, compared to local classroom training where three in four complete the usually shorter duration assignments. Yet for both Job Corps and local classroom training, the effects of duration of stay and placement remain significant after adjustment for the differences between dropouts and completers.

Moreover, the dropouts and short-stayers earn much the same as their controls over the long-run, so that sorting of the “winners” and “losers” is not an explanation of the substantial gains of completers. Completion itself appears to be a substantial factor. Those completing local classroom training have a high probability of being placed whatever their duration of stay. Those who complete Job Corps training gain substantially more and are more likely to be placed than participants who stay as long but do not complete. Corps members who secure a GED earn more than matched individuals who do not. Finally, the effect of duration of stay is strong even when placement is used as an additional control variable in regression analyses of earnings gains. All this supports the conclusion that training increases human resource endowments and employability, and that those trained longer are more likely to obtain certification which in turn improves the chances of finding employment or being placed.

Training Occupations and Occupational Mobility

Training tends to move individuals from the secondary labor market and irregular jobs into low level but more regular jobs. Among 1976 classroom trainees with previous experience, a fifth had worked primarily as garage attendants, transportation operatives, laborers, farm workers or private household workers. Only a tenth of trainees with work after termination held such jobs. The share working as craftsmen and welders increased from 11 to 17 percent, while clericals rose from 20 to 27 percent.

Among on-the-job trainees, over a third were placed in the same broad occupational categories in which they had previously worked, while over a fifth were assigned to training positions in a lower occupational level. Comparing the occupational distribution before and after training, the pro-

portion working as laborers, transportation operatives, garage workers, farm laborers and private household workers actually *rose* from 13 percent to 15 percent.

A third of Job Corps entrants have had no regular work experience and the remainder have largely worked in menial "youth" jobs. Job Corps training helps them secure entry level "adult" jobs although only one in seven participants ends up as a completer with a training-related job. The bulk of "placements" are in manual, entry clerical and entry health jobs secured by the participants mainly through their own initiative.

Little is known about the "best bets" for training. Most females in local classroom training are in clerical and service occupations (usually health). While 17 percent of all 1976 classroom trainees with a job before entry worked in female clerical occupations, 35 percent of trainees were in female clerical occupations and 25 percent of those with a job after training remained in these occupations. Three-fifths of participants trained in clerical work who subsequently got jobs ended up in training-related work, as did two-thirds of those trained in service jobs. The rates of training-related employment were much lower for trainees in other occupations. For instance, nonconstruction crafts are a frequent training cluster for males, but the batting average of this training appears low in terms of subsequent training-related employment. While OJT participants are more likely to find employment in the occupation of assignment, those "trained" as service workers, laborers, garage workers, farm workers and transportation operatives are less likely than other OJT participants to stay in the same occupation, probably because they are able to find something better on their own.

In Job Corps, the best bets for completion, placement, and higher wages for males are manual occupa-

tions—forestry, gardening, construction and industrial production; for females, forestry, gardening, construction and health are the best bets. Over the longer run (12-18 months post-termination), however, persons trained in these occupations are *less* likely to register gains relative to controls than those trained in some other occupations including transportation and service for males and the clerical field for females. In other words, the training that looks good in the short-run does not look as good in the long-run. Also, some occupations such as construction increase wages but not employment, while health occupations increase employment but not wages.

Educational Competencies and Employability Skills

In addition to occupational training, the other ingredients in local classroom training and in Job Corps include remedial instruction, basic life skills training and attitudinal or motivational improvement activities. Even less is known about the effectiveness of these efforts than about occupational training. While the measurement tools for assessing maturity, socialization and job readiness are crude, it appears that changes *do* occur, at least in programs for youth (who may be most malleable to such interventions).

The “intangibles” are a major factor behind the Job Corps’ success. Tests of social and attitudinal changes, health care, and job-related knowledge and behavior suggest that participants in Job Corps for over 90 days experience significant gains along all the social-attitudinal dimensions. These measured changes are reflected in a dramatic drop in arrest rates over the first year out of Job Corps (10.9 per hundred compared to 16.7 for controls according to the follow-up of 1977 participants), delays in marriage and childbearing, reduced out-of-wedlock births, increased mobility, and increased matriculation in college and post-

secondary training. However, Job Corps achieves these changes by creating a 24-hour a day structured environment away from other influences. The supported work program that provided well-organized and well-run full-time employment opportunities for youth, but did not remove them from home environments and did not include counseling, recreation, motivation, student government and the like, did not produce positive changes in criminal behavior or drug abuse, nor did it significantly increase post-program employment constancy.

School-based programs aiming to improve “employability skills” through instruction and activities designed to expose youth to work settings and requirements are able to change tested vocational attitudes, job knowledge, job holding skills, work relevant attitudes, job seeking skills, and sex stereotyping in career goals (although not, apparently, changing self-esteem). However, these attitudinal and skill gains do not alter post-program labor market or educational behavior except when combined with substantial job development activities so that employers recognize that the changes have occurred, and unless the activities are targeted to youth who plan to immediately enter the full-time labor market after graduation rather than continuing their education. Moreover, gains are not realized in summer programs which have about half the treatment hours, suggesting that intensity and continuity are necessary to change attitudes and skills. On the other hand, short-term interventions that provide a helping hand at the point of job search can substantially increase the immediate chances of employment with little or no effect on measured employability.

Education gains are easier to measure. There is clear evidence that a variety of alternative methods can increase the functional academic competencies of even the most educationally disadvantaged, with learning rates far exceeding school norms for such individuals. Participants in

Job Corps, who have an average tested reading level of 5.6 years at entry, gain 1.5 years in 90 hours of instruction and 2.2 years in 150 hours. The key is a self-paced, individualized approach with the flexibility to be delivered a few hours daily in combination with other activities. Few of the disadvantaged and dropout participants are seeking or wishing to accept full-time academic instruction. Computers simplify delivery of these self-paced, individualized materials, increasing the gain rates, helping to standardize curricula, reducing paperwork, and facilitating delivery in a variety of settings.

Finally, CETA eligibles can benefit from more advanced education but will not participate unless extended a helping hand. In May 1981, 2,000 of the 42,000 Job Corps members were enrolled in post-secondary institutions with the help of Job Corps. The retention rate of those enrolled the previous year was 70 percent. These youth would not be in college without this assistance. Less than half a percent of a comparison group for 1977 Job Corps participants were in college in 1979. In a structured experiment to test a GI-Bill voucher approach as an alternate treatment strategy for CETA-eligible youth, only half of the control group attended college the next year, compared to nine-tenths of those provided tuition and expenses, as well as counseling and other assistance. Among the experimentals, four-fifths of those who attended college were still enrolled through three semesters compared with only half of the controls who originally matriculated. Those experimentals who were in the cohorts receiving educational and personal counseling had better retention than those simply provided financial support.

Work as Training

One justification for *work experience* is the claim that a period of subsidized, sheltered employment might serve as preparation for later unsubsidized employment, resulting in

increased post-program earnings. The evidence suggests that this is only true for certain target groups and only if the work experience is structured in certain ways. The post-program earnings of 1976 adult work experience participants were apparently no higher than those of matched nonparticipants, while participants in public service employment experienced a gain between \$250 and \$750 in 1977. The differential between PSE and work experience outcomes is explained by the relative likelihood of post-program employment in the public sector. *All* of the increase in employment from pre-entry to the first year post-termination for 1976 PSE participants was due to increases in unsubsidized work in the public sector.

The supported work experiment carefully tested the impacts of well-operated work experience projects structured to provide increasing responsibility, close supervision and peer support. It found little or no post-program earnings effects for dropout youth, drug addicts or ex-offenders, but a statistically significant impact for long-term AFDC recipients, which resulted entirely from increased post-program employment in the public sector.

The Ventures in Community Improvement experiment used worksites as a classroom for training in construction trades, with journeymen instructors, linkages to unions, and structured skill progressions. Even though there was also substantial output from VICI projects, the aim was to teach as much as to produce, and those participants who did not accept the "real-life" performance requirements were more likely to be terminated than in most youth work programs. The resulting placement rates in construction, in unions, and in high wage jobs far exceeded those for comparable work projects that did not emphasize training, even though there were very modest differences in positive termination and placement rates.

Where participants receive work and training combinations, they appear to benefit more than from work experience alone but less than from classroom training or OJT. In fiscal 1976, only 6 percent of participants in nonsummer local CETA activities (excluding direct referral) received sequences of primary activities such as work and then classroom training or work and then OJT. The net gains for multiple-activity participants equaled the weighted average of the impacts estimated for the separate components, suggesting that when work and training are combined, the post-program earnings effects will be largely determined by the amount of training provided.

Summer employment for disadvantaged teenagers modestly increases the likelihood of returning to school and the probability of part-time employment in school. The employment effects are concentrated among the 14 and 15 year-old participants, particularly minorities and females, i.e., those least likely to secure employment in the absence of the program. On the other hand, there are no measurable gains in job knowledge, vocational attitudes, jobseeking or job holding skills, relative to control groups. Apparently, a first work experience provides a "taste for earnings" or helps to overcome fears about work without markedly altering attitudes or employability skills.

In summary, work experience can be useful for young people in advancing workforce entry. It can be combined with training activities in a sequence, with benefits roughly proportional to the degree of training. A worksite may be structured as a training site and can yield some of the benefits of classroom and on-the-job training while producing useful output, but this model is the exception rather than the rule in local work experience programs. In most other circumstances, the subsidized work will only have post-program impacts if it serves as a tryout or on-the-job training mechanism for an existing unsubsidized job in the public

or nonprofit sector. This does *not* mean that work experience and public service employment are bad investments. If \$1.00 in output is produced for every \$1.00 in cost, then *any* post-program earnings increases or in-program benefits (such as reductions in crime) represent a positive return on the outlay. However, if the aim is to alter future employment prospects, work is only effective when properly targeted, designed or linked to unsubsidized employment.

The Return on the Investment

The public investment in training for persons of limited employability is profitable, as best this can be judged by benefit-cost analysis. According to the most reasonable (and purposefully conservative) assumptions about the fade-out of earnings gains measured in the two post-program years, about the dollar value of nonearnings impacts, and about the appropriate discount rate, Job Corps provides social benefits with a current value of \$1.39 for every \$1.00 invested. Utilizing the same assumptions and the estimated post-program earnings gains for 1976 local classroom trainees, CETA training returns \$1.14 in benefits for every \$1.00 invested. The estimates for OJT are less precise (because of a more complicated estimation methodology); but the range is from a low of \$1.26 to a high of \$5.93 in benefits for every dollar invested, with a "best" estimate of \$2.18. Thus, on-the-job training pays off most, Job Corps ranks next, and local classroom training follows. Obviously, the three interventions serve different client groups and produce different patterns of benefits. Job Corps has noticeable earnings impacts but the "socialization" effects are equally significant. Indeed, the reduction in crime is so substantial during participation and in the year after, while the costs of crime and its treatment are so great, that the present value of the crime cost savings is about equal to the present value of the earnings gains per participant from local classroom training.

Even though the increase in post-program earnings per dollar of investment is greater for classroom training than for Job Corps, the total payoff is less because there are minimal effects on crime or dependency.

The “public” includes participants as well as the taxpayers who pay for the program. Social benefit-cost calculations exclude transfer payments from costs and count as benefits all increased earnings. From the taxpayer perspective, transfers are included among costs and the benefits are not the post-program earnings gains, but rather the taxes they generate as well as the resulting reductions in dependency. Taxpayer benefit-cost ratios are, therefore, lower than social benefit-cost ratios, and though the latter are a more appropriate consideration from a social policy perspective, the former will more likely concern the voters in a period when taxes are a major concern. Job Corps has the highest taxpayer benefit-cost ratio because the crime reductions are a savings to taxpayers; there is a return to the taxpayer of \$.91 for every \$1.00 invested according to the most reasonable, albeit conservative, assumptions. The intermediate estimate for OJT is a return of \$.72 for every \$1.00 invested. Local classroom training returns \$.60 for every dollar. Such recondite analysis hardly figures in the political equation, but it certainly justifies the solid political support for Job Corps and the preference for more OJT in the local activity mix.

Benefit-cost analyses of pre-CETA institutional and on-the-job training programs generally found that benefits exceeded costs. Estimates for Job Corps varied considerably, with several suggesting benefits less than costs (in part because they excluded the substantial crime and dependency reduction benefits and in part because they looked only at the short-term earnings which are depressed during the transition period immediately after termination). Using standardized assumptions which focus only on earnings effects, the benefit-cost ratios calculated from current impact studies

of Job Corps and CETA classroom training are in the high range relative to past estimates, while the ratios calculated from recent OJT impact experience are in the mid-range relative to past estimates.

An Interpretation of the Evidence

The Role of Training

If all persons available and looking for work were ranked into categories based on prior experience, education, previous training and other measurable characteristics used by most employers in setting job requirements and in ranking applicants, CETA enrollees would be concentrated at the low end of the distribution. The same standards used to establish eligibility for CETA, and the same problems which lead applicants to choose this option, are among those used by employers to rate individuals as high risks. Nevertheless, there is very significant diversity in employability among CETA participants. At one extreme, CETA may serve a single mother with a college degree reentering the labor force or a machinist displaced from a job in a one-industry town; at the other extreme, the participant may be a mentally retarded young person who has never held a job, or a school dropout who has spent the last five years in prison. Each set of characteristics can be assigned "batting averages" which are statistically valid predictors of outcomes in most settings. The mother and the machinist are good bets for training and for subsequent placement. The dropout or the handicapped youth are poor bets. Yet there is also much unexplained variance reflecting chance but also the wide range in potential among individuals sharing any set of characteristics. Some dropouts may be both motivated and intelligent, having left school because of family responsibilities. Others may have dropped out because school was too slow and

regimented, although they have now matured. Some may have very serious behavioral problems which are not recorded. Most failed in school because they simply were not as good in academic areas as those who passed. Five years in the future, these subgroups among the dropout population are likely to have quite different average success rates in the labor market. But it is impossible or at least difficult to identify the differences in potential which will produce these differences in outcome. The differences emerge only when the individuals are "tested" by some common experience.

Employers must make hiring decisions based on characteristics they can measure and on the "batting averages" for persons with these characteristics. Available jobs at any point can be ranked into categories according to their hiring requirements, i.e., how much prior experience, education, previous training and other desirable characteristics the employers require. The distribution on the supply side of the labor market ranking the available workforce in terms of employability, is paralleled on the demand side by the distribution of available jobs according to the minimum employability they will accept in applicants. Some jobs are always available for even the most unskilled, but generally there are more available workers in the low employability categories than there are jobs willing to employ such workers. Hence, the most disadvantaged individual could usually get a job if he or she really tried, but the rewards are meager relative to the effort, and all such individuals could not find employment if they looked at the same time.

Among jobs with equal hiring requirements, there is wide diversity in career potential. Some entry jobs are dead-ends while others can be first steps on career ladders. For the available worker entering the hiring door or reading the want ads, it is in many cases impossible to distinguish between jobs with career potential and those which lead nowhere.

The labor market functions by iterative matching of workers and jobs. An individual with low potential hired into a job may soon be fired or quit, or will be satisfied with menial work. One with high potential will either retain the job or look for another that provides more career opportunity. Eventually, he or she will find a career ladder and will move up, stay with a job long enough to be considered more employable, or acquire a credential in college or apprenticeship which documents to employers a set of skills or characteristics they desire. This individual will, then, move up the queue at the next point of availability for employment. Whether bouncing from job to job or remaining in dead-end employment, he or she will become identifiable as a "loser," moving down the queue in the eyes of employers at the next point of availability for employment.

Classroom training can impact on employment chances in several distinct ways: First, the training can serve as an experiential sorting mechanism, not improving skills or credentials, but rather identifying those participants with more potential and motivation. Employers will want to hire them instead of others with the same external characteristics because they know them to be better risks. Second, the training activity may serve as a way of gaining access to jobs without necessarily improving skills or credentials. This may occur through the institutional leverage of the delivery agent or by helping participants to find employment. Third, the training may be able to sort both individuals and jobs, matching persons who have been identified as having greater potential with entry jobs identified as more promising. Fourth, the training may improve potential by increasing motivation, employability skills or academic competencies, without providing credentials that employers will accept in the labor market. Fifth, the training may provide a demonstrable skill or a certification which is accepted in the labor market. The distinction between these effects is of

more than academic interest. For instance, the second impact process may produce measured gains in earnings relative to nonparticipants, but will do so largely by reducing the chances of the nonparticipants. The process will have no impact on skill shortages and the participants will benefit only to the extent their job search is shortened. The fourth process increases performance in a job once secured, but does not increase either the chances of employment or the quality of the first job. Only the fifth process fills skills shortages and improves employability as assessed by employers who have no link to the training activities and are not leveraged by the delivery agent.

The Impacts of CETA

The evidence suggests that local classroom institutional training for those at the end of the labor queue functions in all these ways. In general, however, the training is not of long enough duration to increase competencies to the point where they can be certified and documented. Only a small proportion of participants get a GED, sheepskin, or certificate indicating the completion of apprenticeship. There are very few occupations where skills can be taught in short order than can be certified or tested at the hiring door, and where a large number of jobs are available. Clerical training is one of these occupations, and it tends to work best where those who are trained are mature and have adequate academic competencies. Judging from the concentration of earnings gains among 30-44 year-old classroom trainees, women, and those previously out of the labor force—i.e., the groups most likely to be assigned to clerical training—there is little doubt that this occupation accounts for a substantial portion of the total gains from training. In some other occupations such as welding, basic skills can be taught quickly but lead to jobs for only a minority of trainees. For most occupations, long-term training is needed to gain useful

skills or certification that is recognized in the labor market. Only the few classroom trainees who stay long-term acquire these skills and certifications, so that they need the placement leverage of prime sponsors in order to realize gains.

Likewise, just a small proportion of Job Corps participants complete advanced training or get a certification of competency (for instance, 5 percent complete a GED). Placement assistance is concentrated on this minority, with little help provided to noncompleters. The overall gains produced by the program are largely the result of improved "potential" manifested in greater stability of labor force attachment and employment, i.e., changes in motivation and socialization are rare, achieved in less intensive and less targeted local classroom training. The jobs which are secured by Corps members, most often by their own initiative, do not pay more and are not much different than those which could be secured without participation.

The sorting that occurs in local classroom training appears to be modest as judged by measured characteristics, but certainly the most employable within those entering training are likely to complete. Those who are *placed* among those who stay longer or complete are even more employable. It is impossible to determine how much the sorting identifies the persons with greater potential within any set of measured characteristics. It is likely that this occurs, but probably more through the placement process than the enforcement of completion standards. Those placed are the "best" both because they include individuals with initiative to get a job and those who are helped by the delivery agent. The fact that the impact of placement continues over time suggests that these individuals placed are indeed "better" after controlling for measurable differences and/or that jobs accessed for them are "better" in terms of stability and career potential. The gains registered by those placed who do not have long-duration training and have not, therefore, received certifying

credentials, are probably a combination of these two factors. The converse of this observation is that sorting does not occur that will be accepted by the labor market in the *absence of CETA leverage*. The distinction between completers and noncompleters is not very specific in local classroom training, and only a minority of participants even know if they complete. An employer is not likely to give much credit to participation alone without knowing the standards for completion and whether these standards are enforced.

Job Corps sorting *is* much more significant because completion standards are competency based, the educational and vocational achievements are documented and the residential experience itself tends to separate the mature from the immature. Those employers regularly hiring from Job Corps know the difference. Some use the achievement records. But the completion standards and the competency measures are not recognized by most local employers unfamiliar with the program, so that if a youth does not get a job through the program, he or she is unlikely to get credit and must prove himself or herself once hired.

The primary impact on local classroom trainees, particularly on those staying less than 90 days, is to help them get a job either by providing job search assistance, a staging ground, or actual job access or leverage. The modest gains for short stayers could be explained by just a few finding jobs more quickly than they would without participation. It is important to stress that the short stayers in local classroom training include a disproportionate number of dropouts, so those *scheduled* for short training are averaged in with the dropouts. The evidence suggests that short-duration job-search assistance and “hand-holding” for both in-school and out-of-school youth can increase short-run employment chances. It is likely, then, that such activities combined with traditional labor market exchange functions may work to modestly increase post-program employment chances

without really improving the types of jobs secured, the participants' skills, or their long-term prospects.

On-the-job training involves these same processes, but their relative importance is different. Sorting is much more predominant. The CETA decisionmaker can and does screen more candidates than a typical employer interviewing for a job, since all CETA applicants are assessed and usually the most employable are assigned to OJT. Because OJT is rarely a "piggyback" on other treatments, the sorting must occur basically on measurable employability characteristics rather than potential as demonstrated in prior participation. Judging from the wage change patterns, the occupational distributions and mobility patterns, it does not appear that there are wide gaps between experience and job requirements in the OJT match-ups of workers and jobs, or that extensive training is necessary, but the gaps may still be greater than usually exist for entry employees. Rather, the try-out period, then, offers an opportunity to determine whether the somewhat higher risk trainees, particularly those who have been outside the labor force and those who have lost their last employment and therefore may be of uncertain quality, will adjust to the job and normal entry instruction. This may mean the chance at more stable and better paying jobs for those whose careers have been disrupted, or an opportunity for entrants and reentrants into the workforce—albeit those with more education credentials—to get a chance to prove themselves. From this perspective, OJT is more of a screening device than a training ground. The one of three participants who are *not* hired permanently are those who fail in the try-out or find that the assignment does not meet their expectations. Yet, the *decline* in the earnings gains from the first to the second year after termination, in contrast to the *increase* for classroom trainees, suggests that some of the OJT participants lose their jobs and the "training" is not transferrable, while the control group of equally employable

individuals is able to eventually secure its own jobs with time. The provision of an immediate job is particularly important to reentrants or entrants who are more likely to remain in the labor force when they immediately get work than when they must search for their own employment.

Implications of the Interpretation

The interpretative framework, and its component concepts such as sorting, credentialing, job access, and try-outs, as well as documented vs. potential employability, are important because of their broader policy implications. First, these concepts suggest why OJT is so hard to market to employers. Participants are referred and the employer must choose among them on the basis of documented employability dimensions, i.e., they are risky to the extent that on average they have characteristics which would usually rank them below normal entry employees and their potential is uncertain because they do not follow the normal entry routes, for instance, being recommended by other employees. With the hire, the employer assumes the risk that the individual cannot “pick up the job” in the way normal hires do, and the subsidy must cover this risk. To the degree the job requires substantial training as opposed to mere orientation, the employer assumes an even greater risk. To overcome the employers’ reservations, the delivery agent is inclined to screen participants as much as possible so that they meet the usual employability requirements of the job. Unless the best of the referrals is within the “risk range” covered by the OJT subsidy, the employer will not even participate. But given the difficulties of finding OJT slots and the clear evidence that they help participants, the delivery agent may not want to jeopardize future placements and may provide referrals well within the risk range—providing windfalls to the employer—in order to assure future cooperation and to get immediate results for their participants.

If the public accepted the initial risk by payrolling the participant during a limited try-out period, the employer would have to be subsidized only for extra training costs rather than the hiring risk. The extra training costs for the individual could be better determined because there would be some experience. It would be possible to take greater risks. It would also be easier to piggyback on experiential sorting in work or classroom training programs, since the delivery agent would not have to *convince* the employer that prior sorting had occurred, but rather could let him see for himself during the try-out. This approach would also permit a better identification of what was actually occurring on the worksite in terms of training and relative to the capacities of each trainee.

Second, the placement effect differs but is important under all these processes. If classroom training does not lead to credentials or measurable skills, like typing speed, that can be tested by employers prior to hiring, its effectiveness rests on placement leverage as well as the training institution's reputation, which in the short-run may be affected by publicity and linkage efforts, but over the long-run depends on the performance of the trainees that are placed. If there is no sorting of completers and noncompleters based on demonstrated acquisition of specific skills, then over the long-run the placement leverage and reputation will erode and individual participants who perform most effectively in training will not be able to translate their hard work and ability into commensurately better jobs.

Improving potential but not documented employability will help when and if the participant gets a job, but pays off more certainly when there is placement, particularly when this accesses jobs with career potential where the individual's abilities and newly acquired skills can be fully utilized.

Placement should become less necessary to the degree that training can provide accepted credentials or measurable

skills; however, these are likely to be discounted unless the individual shares the characteristics and experiences usually associated with these credentials and skills, or has other impediments to employment. This will be particularly true where an individual makes a “quantum leap”—for instance, the dropouts who entered Job Corps and were trained as customer engineers. It may be necessary even if there has been substantial sorting, training and certification, to provide for a try-out or to exert a special effort to secure placement so that the skills and credentials are accepted at face value.

Third, credentials require longer training than is usually provided, and more sorting as well. In order to avoid hurting those who lack the potential for a major advance, the obvious solution is to use a base-level training activity to provide worthwhile aid to large numbers while identifying participants with the greatest potential for long training in a second tier of activities. Placement in the first tier, for the majority not moving on to the second, would continue to find “better” jobs for those who are “better” but not good enough for advanced training, while helping the remainder to simply find employment more quickly. In the second tier, where the number of entrants and completers would be much smaller than in the first tier, substantial placement efforts would and could be exerted to assure employment in training-related jobs in order to assure that the intensive investments paid off.

Fourth, improved skills mean little if not recognized and utilized by employers. Recognition depends on identification of competencies acquired, documentation of the quality of the inputs which went into the preparatory experience, proof that standards were maintained, and recognition that the skills and competencies needed for specific jobs were, in fact, provided. If there are no “graduation” standards, if the certification is nothing more than a claim that some

training occurred, if the quality of the training is suspect, or if the competencies taught bear little relation to what employers really want, the payoffs of training will be reduced, particularly over the longer-run when jobs will depend on acceptance of the credentials rather than the leverage of the CETA hiring subsidies and placement efforts.

Fifth, the future implications of these interpretations are even more significant. The size of the available workforce at any point in time, especially at the lower end of the employability distribution, is largely determined by the number of entrants and reentrants into the labor force. This number will decline dramatically relative to total employment as the post-war babies age into the prime working years and the participation rate of women levels off. The annual rate of growth of the civilian labor force age 20 to 24 is projected to fall from the 2.7 percent annual growth rate for males in the 1975-1979 period to -.1 percent annually between 1979 and 1985, then declining -2.9 percent annually in the 1985 to 1990 period. For all women, the rate of increase in the labor force will decline from 4.1 percent to 2.9 percent and then to 1.9 percent. Employment grew 2.7 percent annually over the second half of the 1970s, and 2.1 percent over the entire decade. Anything close to this job growth would drastically exceed the 1.9 percent total labor force growth projected for 1979 to 1985 and the 1.3 percent rate for 1985 to 1990.

The impacts will be greatest at the entry level. While there may be large numbers of relatively well-educated thirty-year-olds and women competing for mid-career advancement, the pressures at the career entry door will be reduced, as well as the competition for menial and casual jobs. Illegal or legal immigrants may fill the latter need, but they are unlikely to be allowed full access to the career-entry opportunities. The result is that many employers whose hiring policies are now structured to take advantage of the excess supply of entry ap-

plicants will either lower their usual entry standards, regularize the career ladders so that the promise of a future can be used to attract entry workers, initiate their own intensive preparatory programs, work more closely with public institutions, recruit from areas with excess workers, increase the poaching of trained employees and further protect their own workers by compensation provisions and advancement opportunities tying them to the firm. Past experience during the tight labor markets of the 1960s and current experience of industries and labor markets having trouble meeting manpower needs, suggests that a combination of all these strategies will occur if labor market conditions change in the expected directions.

If more firms provide their own training and have to reach into the high-risk pool, they will be much more responsive to preparatory activities by public institutions that screen and provide some of the basic skills. More firms will be willing to specify their requirements and work *with* institutions to develop training programs targeted specifically to their needs. Since they will have to take more chances in hiring, they will be more receptive to a try-out approach which protects them from some of the risk. Persons who are trained and credentialed are more likely to find jobs at higher levels and have their credentials accepted even if they lack some of the other characteristics now expected in applicants for these better jobs. As more firms train, there will be an increased concern with other firms stealing their employees, and a desire to limit this if possible.

The degree of change depends on many things including immigration policies, military manpower needs, technological change, foreign competition, and national and world economic conditions. There is no crystal ball which can accurately project these developments. But all else being equal, the labor supply changes that can be projected with some certainty are massive. Employers will not alter their

behavior overnight, and the degree of change will vary by industry, region and type of firm. But the market is enormously adaptable and the directions of change should work in favor of training which sorts and improves potential as well as more ambitious efforts to provide quantum leaps in documented skills. On the other hand, training that simply accesses low-level, menial jobs will be relatively less necessary or useful.

Management, Delivery and Decisionmaking

Local Variability

The local delivery system which accounts for nine-tenths of trainees and more than seven-tenths of training expenditures under CETA is characterized by enormous diversity. There were 481 state and local jurisdictions designated as “prime sponsors” for CETA in fiscal 1980, that is, receiving funds by allocation, planning for the use of these funds, contracting and managing activities, monitoring compliance, and reporting to the federal government. Under the “comprehensive” component of CETA (Title IIBC) which finances most local OJT and classroom training, prime sponsors have broad discretion to choose the types of participants and the types of services.

There is substantial variability in how they exercise this discretion—particularly in choosing between job creation and training—as well as in the results they achieve. The standard deviation measures the variation around the mean; there is a two in three chance that any point in a given data set will fall within a standard deviation on either side of the mean. The coefficient of variation is the ratio of the standard deviation relative to the mean and is an indication of the relative dispersion of different data sets. A higher coefficient implies more relative variability in one data set than another. For almost all statistically measured dimensions of

prime sponsor decisionmaking and performance, the coefficients of variation are large.

| | Average | Standard Deviation | Coefficient of Variation Among Prime Sponsors |
|---------------------------------|---------|-----------------------|---|
| Classroom trainees as share | | | |
| Title IIBC participants | 50% | 22% | 43% |
| OJT participants as share | | | |
| Title IIBC participants | 11% | 8% | 74% |
| Total trainees as share | | | |
| Title IIBC participants | 64% | 21% | 34% |
| Classroom training cost | | | |
| per participant | \$1328 | \$580 | 44% |
| OJT cost per participant | \$1130 | \$697 | 42% |
| Percent Title IIBC participants | | | |
| entering employment | 40% | 14% | 35% |
| Cost per placement Title IIBC | \$6308 | \$4572 | 70% |

The enormous variability in prime sponsors' emphases on training is not explained by the variability in economic conditions or in the participants who are served. The two factors expected to have the greatest impact on local decisions would be the unemployment rate (which should affect the availability of OJT assignments, the jobs which could be secured through classroom training, and the relative attractions and need for job creation) and the youth share of Title IIBC participants (since youth are usually offered short-term subsidized jobs and are underrepresented in local classroom training and, even more so, in OJT). Regression analysis provides a way of determining how much one factor is affected by changes in another variable when the remaining factors are held constant. It also provides a way of assessing the amount of the variance in the one factor which is explained by the variability in all the other factors within a data set. Regression equations which measure the relationship between the emphasis prime sponsors place on classroom training (as measured by the ratio of trainees to total fiscal 1980 Title IIBC participants) and their unemployment rates and youth shares reveal that prime sponsors with significantly above average unemployment rates or significantly above

average youth shares are slightly less likely to emphasize classroom training. But these two factors together explain little of the variability in classroom training emphasis. Neither do these variables have much relationship to, nor explain much of the variability in, classroom training expenditures as a share of total expenditures, OJT participants as a portion of total participants, or combined OJT and classroom training enrollments as a share of total enrollments. To the degree a relationship exists, prime sponsors with higher unemployment rates tend to undertake more OJT and more total training (hence less work experience) than those with lower unemployment. By the same token, the unit costs of OJT and classroom training are only marginally related to unemployment rates or youth shares. Prime sponsors with high unemployment rates do not have to pay substantially more to access jobs for OJT, and the duration or intensity of classroom training which is related to the cost per participant, is not substantially greater in high unemployment areas nor substantially lower when more youth are served.

The factors which do seem to make a difference, even after regression controls for unemployment rates and youth shares, are the type of governmental unit making the decision, its size and regional location. Smaller prime sponsors with a labor force of less than 200,000 and state government sponsors are more likely to emphasize OJT under Title IIBC. Smaller primes (100,000 or less labor force) and the large cities (500,000 or more labor force) are more likely to emphasize classroom training, while states are less likely to use this approach. Expenditures for training as a portion of Title IIBC expenditures are lowest in the South and Northwest. The cost per participant in classroom training is highest in large cities, counties and consortia, reflecting cost-of-living differences probably as much as intensity differences. OJT costs are lowest for the smallest prime sponsors and for

states. Prime sponsors which place a heavy emphasis on training under Title IIBC also emphasize training under their structural public service employment and youth programs.

Differences in participant mix and in economic conditions are much more powerful in explaining the variability in outcomes than the variability in training emphases and costs. Differences in participant mix—age distribution, race, sex, and welfare recipient shares—differences in area conditions—unemployment rates, economic growth rates and quit rates—and differences in activities—on-the-job and classroom training shares, average lengths of stay and costs per enrollee—explained almost two-fifths of the variance in prime sponsor placement rates under Title IIBC in fiscal 1980. Of these factors, the activities dimensions—training shares, lengths of stay and unit costs—had the least impact. For instance, more OJT contributed to higher placement rates but a standard deviation increase in the OJT share was associated with less than a fifth of a standard deviation increase in the placement rate. In contrast, a standard deviation increase in the unemployment rate was related to a standard deviation decrease in the placement rate. Yet the fact remains that the placement success of a prime sponsor is not foreordained by participant characteristics, economic conditions or service patterns. Three-fifths of the variance in placement rates was not explained by detailed regression equations including a diversity of variables, suggesting that much may depend on the management of and emphasis on placement at the local level.

The Delivery Level Perspective

From the prime sponsor's perspective, the benefits of classroom training vs. work experience are not as apparent as the national impact studies would suggest. Prime sponsors do not undertake long-term follow-up, nor do they attempt to secure comparison groups in order to measure net im-

pacts. They focus, instead, on short-term outcomes and the gains from entry to exit. Immediately at exit from CETA, the employment rates for 1976 work experience participants were *higher* than for classroom trainees (52 compared with 29 percent). At the three-month follow-up, the differential was still in favor of work experience (52 to 46 percent). Even though the work experience group was more likely to be employed a month before entry, its *gains* from entry to exit were significantly greater than for classroom trainees, and from entry to three-month post-termination they were about the same. Work experience is also shorter and less costly per person year, so more people can be served by the work approach. At the same time, the public gets back a useful social product and locally-financed transfer payments may be reduced during the period of participation since wages offset welfare benefits while allowances do not. In other words, the benefit-cost calculus is different at the local level, and the emphasis on work experience is rational even if not socially optimal.

Likewise, the case for long-duration training is not as compelling from the local perspective. In the first quarter after termination, the percent of time employed for second half fiscal 1975 classroom trainees who stayed between half a year and a year was 46 percent, compared to 43 percent for those staying 30 to 90 days. The differential was 57 vs. 47 percent over the entire post-termination year and 66 vs. 54 percent in the second post-termination year. In other words, a 90-day follow-up would not show the greater relative gains made by the longer-term trainees. Based on prime sponsor placement rates for trainees of varying lengths of stay, and assuming costs proportional to length of stay, the cost per placement recorded by the prime sponsor for the 30 to 60 day training would be three-tenths that of training activities of over half a year's duration. With local pressure to serve more individuals, and Department of Labor pressure to reduce

unit costs, it is not surprising that shorter training is emphasized.

Federal Rules and Oversight

The prime sponsors operate within the framework of federal regulations and federal oversight. The “feds” review the activity plans prepared each year by prime sponsors, but leave to local decisionmakers the choice among allowable activities and among different subgroups in the eligible population, as long as specified procedures are followed. The exception is the youth share requirement. The Youth Employment and Demonstration Projects Act of 1977 required that prime sponsors maintain youth service levels under Title IIBC at the pre-YEDPA level. Guidelines were introduced to enforce maintenance of effort, and these reduced the downtrend in youth shares which had been occurring each year since the implementation of CETA. The regression results suggest, however, that there is very little statistical relationship between prime sponsor youth shares and their overall emphasis on classroom or on-the-job training, and the impact results provide no reason why jobs should be preferred over training for youths. There is still significant local choice in the degree of emphasis on training.

The Department of Labor seeks to achieve year-to-year improvements in placement rates and unit costs in negotiating plans, but prime sponsors may justify exceptions in the plan or may seek modifications during the year. Apparently, there is not too much pressure since the planned Title IIBC placement rate approved for fiscal 1980, after the modification process had occurred, was below the level in fiscal 1979 and only 1 percentage point above the level in fiscal 1978. The variance in *planned* placement rates or the training shares is almost the same as the variance in *actual* placement rates and training shares.

The stick necessary to give leverage to the annual plan approval and goals-formulation process is the performance review at the end of the year. After a top-to-bottom assessment which considers goal attainment in the previous year, prime sponsors are rated as either eligible for immediate funding, as needing corrective actions over the next year, or as having serious problems that must be solved before funding. Unfortunately, the quality of training is given minimal weight in this assessment and no prime sponsor in 1980 received a serious problem rating because of training. The only enforcement occurred when vocational education set-asides were grossly underspent or training requirements under IID not met, i.e., quantitative requirements established in the law; but such issues involved only three of the 69 prime sponsors rated overall as having significant problems. Process issues such as equal opportunity enforcement and monitoring procedures have been the major concern of end-of-year reviews and thus receive predominant attention by prime sponsors.

The federal regulations do not preclude long-term training. The regulations suggest that length of training should be determined according to guidelines provided in a Bureau of Labor Statistics publication detailing requirements for different jobs. This source suggests that six months is the minimum training period for almost any occupation in which classroom or on-the-job training occurs under CETA, and even in these cases there is a presupposition of basic competencies which are frequently lacking for CETA participants and which would require extra time in addition to the vocational preparation. Since less than 1 percent of fiscal 1976 classroom training entrants stayed in CETA for more than 450 days, the two-year limitation of training introduced in 1978 (which allows for six months further of unstipended training) cannot be considered an impediment to longer courses.

The regulations *do* limit on-the-job training. In terms of costs, outcomes and public perceptions, OJT is desirable from a local perspective. While prime sponsors have varying success in securing employer cooperation, even the most successful would probably like to do more. If a standard proportion of IIBC participants in OJT were increased by a standard deviation, i.e., to a level now achieved by the best one-sixth of prime sponsors, there would still be less than a fifth of Title IIBC participants in OJT. The problem, then, is not so much the management of the component, but its design. Quite simply, the payments to the employers do not compensate for the risk in hiring someone of less certain qualifications and the paperwork involved. An experiment with alternative subsidy levels for the hiring of disadvantaged 16-19 year-old students has demonstrated that employers are responsive to higher subsidy levels, and that the response rate escalates when the participant is payrolled from CETA for a try-out period rather than hired first by the employer. The evidence strongly suggests that a redesign of the OJT regulations would be productive.

Federal Leverage Mechanisms

The federal measures which have most affected the level and duration of classroom training are the supplemental vocational education set-aside (6 percent of Title IIBC funds), the legislatively mandated training requirement under public service employment (which was 15 percent of Title IID PSE expenditures in fiscal 1980), and the HIRE and Skills Training Improvement Programs (STIP) which provided funds for on-the-job training and long-duration classroom training respectively, but only to those prime sponsors who could use the money and meet requirements. The increase in the vocational education set-aside from 5 to 6 percent in the 1978 amendments, the operation of the STIP program (supported with discretionary funds) and the PSE

training requirements, also implemented in 1978, accounted for all of the increase in local classroom training activity between fiscal 1978 and fiscal 1980. The Private Sector Initiatives Program which established local Private Industry Councils (PICs) and set aside funds for "private-sector" oriented activities has increased the share of funds going to training, simply because work experience is deemphasized in the funds allocated for PICs. The early results suggest that the PICs are not having an easier time marketing OJT than prime sponsors, and, hence, turn to classroom training and transition services. The expectations that business participation in decisionmaking and the intermediation of a business oriented group in the delivery process would make OJT more attractive, placement easier and employer cooperation much more likely were unquestionably exaggerated. PICs may do marginally better than prime sponsors, and the increment may be worth the cost, but more fundamental changes in policies and practices will be necessary to improve the effectiveness of local programs in private sector placement.

Lessons from Job Corps

The Job Corps, operating under national direction and drawing participants from all areas of the country, offers several important lessons for the design and management of training activities:

First, intensive investments per individual are only likely when there is clear authorization and are only justified when the clients are extremely disadvantaged and are provided opportunities for significant gains. To achieve these ends, it is necessary to clearly specify both the service mix and the eligibility focus in the law and regulations, and to shift more responsibility to the national or perhaps state level rather than locally, where there are so many pressures to both dilute service intensity or to "cream" whenever significant opportunities are provided. The demography of Job Corps par-

ticipants has changed hardly at all over the years and the legislative stipulation of services has thwarted the attempts by budget cutters and critics of intensive investments to trim the sinew and bone rather than the fat from the program.

Second, one of the most important factors behind the Job Corps' impact is mobility. The program draws individuals from areas of greatest need—usually where institutions are overburdened or nonexistent—and provides exposure to alternatives as well as a sense of independence. The number of intercity moves for job-related reasons is more than twice as high for Job Corps participants as for controls in the 18 months after termination. Job Corps is the only CETA program which is not localized. Most “national” programs funded under Title III of CETA provide extra service and delivery options which augment local activities but involve neither recruitment from multiple prime sponsors nor mobility of participants.

Third, three-fifths of Job Corps centers are operated on a contract basis by private corporations or nonprofit organizations. Competition provides options. Where a contractor performs poorly, another can be selected. In contrast, it is extremely difficult to suspend decisionmaking and management authority of a local government unit. It is particularly difficult to fire the local bureaucracies directing the programs. And where the same government units are responsible for decisionmaking and management, they are likely to choose the approaches which are easiest or safest to manage, rather than what may be best for participants. Private sector management per se is not necessarily more effective—at least this has not been the case in Job Corps, where nonprofit and public managers of contract centers have done as well as private corporations—but the competition provided by the contract approach, the flexibility to hire and fire, the separation of program decisionmaking and program management, have all proved beneficial. By the same token, there are

economies of scale and the potential for specialization of staff and standardization of management approaches which result where private or nonprofit contractors operate multiple sites. Operation of the larger Job Corps centers is as complex as management of local employment and training activities (the annual budgets are larger for some Job Corps centers than for many prime sponsors), and the option is certainly one that should be utilized where local public sector management has been deficient.

Fourth, the Job Corps system provides a complete spectrum of opportunities ranging from special aid to the learning disabled all the way to college options for Corps members who advance rapidly, from vocational training in janitorial work for persons unable to perform any other jobs to multi-year training as computer customer engineers. If individuals cannot be served appropriately at one center, they can be moved to a component at another. Instruction is individualized and self-paced, while achievements are recorded and rewarded. The standardized educational programs are based around a diagnostic, prescriptive and progress measurement system. Most available public and private sector materials have been screened and cross-referenced to this system, so that there are a number of options to suit the interests and needs of each individual. Likewise, training offerings are based around competency-based achievement standards for each vocation, with a record of progress for each individual. Thus, enrollees are placed according to ability or interest, can advance as rapidly as possible, and can compete for advanced opportunities available within the system based on performance within the system. Financial and nonfinancial incentives based on measured accomplishments increase the effort of Corps members. This approach is in marked contrast to CETA which offers a "one-shot" treatment in most cases, with few incentives for performance, no record of achievement, and limited opportunities for "quantum leaps."

Fifth, all activities in Job Corps operate under detailed national standards dictating minimum qualitative and quantitative inputs. On-site reviews can then assure that input standards are met. The use of a standardized competency assessment and progress systems for the vocational and educational components allows comparison across centers. Because there is the same essential mix of services from center to center, enrollee surveys can be and are used to identify potential problems in components. Most critically, with costs negotiated and itemized by detailed component, and with components relatively standardized, outcomes relative to national norms can be used to assess performance. Because the service mix and intensity of local CETA operations is so variable and because there are no qualitative standards, it is difficult to get the same torque on performance measurement systems. Not surprisingly, the coefficients of variation in Job Corps outcome measures from center to center are far smaller than those for prime sponsor operations. The poor performing center operators have few excuses, and hence low performers are subject to greater pressures and are more likely to improve over time.

Sixth, recruitment and placement are the weak links of nationally-directed programs such as Job Corps, and they require more attention. Job Corps recruits through its own system of contractors, usually state Job Services. Few prime sponsors use Job Corps as a treatment alternative on a regular basis. Some enrollees could be better served in local programs, while many participants in local CETA activities should be in Job Corps. Job Corps also has its own largely separate placement system that works in getting completers into jobs, but does not help dropouts and partial completers for the most part (in contrast to local classroom training where placement is more often provided to participants whatever their duration of stay). As a result, many Corps members have depressed earnings during the first month or

so after termination even though they eventually break even or surpass like nonparticipants. This transition could be eased if local prime sponsors had the responsibility of placing individuals sent off to Job Corps for training and subsequently returning to the locality without a job, and if they were notified immediately or even before scheduled exit. In other words, local activities must be better linked with nationally-operated programs. They must begin to operate in tandem as a system rather than as isolated activities.

Improving Policy and Programs

Needed Directions of Change

The detailed analysis of all the facts and figures on training and its impacts reduced to some rather simple conclusions: CETA (or its successor) should be putting more emphasis on training rather than work experience or job creation. On-the-job training, in particular, needs to be expanded and the duration of institutional training should be extended. Placement efforts should go hand-in-hand with this training, with a focus on training-related placement, particularly when there are substantial training investments. Competency attainment should be emphasized and standards should be maintained for participants. Career opportunities should be available for those who prove themselves in the system.

The CETA system is not now designed or managed to achieve these ends. This is a statement of fact, not a critique. CETA's mission over the last decade has been, first and foremost, to create jobs, which was probably appropriate as the economy strained to absorb the exponentially increasing numbers of youth and female labor force participants. Evidence in support of new missions and approaches has not been available until recently. The decline in the number of labor force entrants which will provide the imperative for

change are only beginning to occur. Yet if past patterns are justified, they also offer clues concerning the changes in policy and practice most likely to move the system along the paths which are, in light of new evidence and emerging labor market trends, now more appropriate.

Guidance for Local Decisions

Decentralization and decategorization were initiated under CETA in the belief that decisions about services, delivery agents and participants could best be made at the local level in response to local conditions. Diversity was both expected and desired. A planning system and procedural rules were formalized to assure a fair and reasoned set of decisions, placing primary reliance on an analysis of labor market conditions as a guide to local decisions. It would be expected, then, that areas with similar economic conditions or similar target groups would tend to adopt similar choices among intervention alternatives. Recognizing the crudeness of area data as well as participants, service mix and outcome measures, it is still surprising that the service patterns which vary so markedly bear little relation to either area unemployment rates—the primary consideration in planning and allocation—or to the proportion of youth served—the participant mix variable expected to have the largest impact on the choice of local service strategy. The local factors which seem to affect decisions most are the structure of the decisionmaking unit and the historical patterns rather than the problems which are addressed. Certainly the findings eliminate many of the most common excuses of prime sponsors, i.e., that training does not occur because the “feds” force too many youth to be served or that below average OJT enrollments are necessitated by high unemployment, or that placement rates cannot be improved because of the participant mix or area conditions.

A basic issue is whether local decisionmakers know best what should be done in light of local conditions, and whether priority should be placed on adapting to these conditions rather than helping to move people where jobs and better training are available. A rational local decisionmaker conscientiously assessing placement rates, costs and three month follow-up results might rationally decide to emphasize work experience, or to put two people through 20-week training rather than offer one participant 40 weeks of training. From the local viewpoint, the effectiveness differentials do not square with those estimated by the “ivory tower” national impact studies. If the rational decision based on local evidence is also expedient—for instance, helping to meet public needs and reducing local payrolls through an emphasis on work experience rather than training—all the better! If residents must be placed in local jobs and if these are scarce, the training options or payoffs may be limited so that job creation and short training for menial positions is most effective. It is not a condemnation of the quality of local decisionmakers to suggest that they *may not know best* in certain contexts because their perspectives are in some cases too limited, and the contexts may not be most appropriate for the individuals who are served.

Refocusing Federal Oversight

Because of the difficulty in pinning down activities, services, or outcomes, much less the interrelationships between them, performance monitoring has been basically a ritual exercise. Where the diversity is so great because of local flexibility and the lack of federal standards, it is difficult to second-guess any local decision or to judge local outcomes. Unlike Job Corps, where one center is very much like another, and the activities are defined by a set of detailed requirements for each element, the descriptors for local activities which are used in the federally-mandated manage-

ment information system are not very specific and the content standards for activities are almost nonexistent. "Classroom training," even in a single prime sponsor, may range from a few hours of motivational and character development activities to full-time occupational training for a year or more. Outcome measures are not even tied to these broad categories nor are the individuals identified who participate in any specific activity. The outcome measures are also so vague that they tell very little about performance; it is doubtful whether a "positive termination" really means anything and impossible to tell whether a "placement" is training related. Without the ability to measure what activities are occurring, without standards about what should, as a minimum, go into each of these activities, and without outcome measures available by characteristic of participants and services received, it is impossible to make judgments about whether the activities are adequate or the outcomes appropriate. Hence, the federal oversight system focuses neither on inputs and their quality, nor on outputs and their meaningfulness, but rather on processes. Acceptable processes do not guarantee and in fact may not even promote wise decisions or positive results. For instance, the summer programs operated by prime sponsors were acceptable until recently as long as plans were filed and the numbers of participants counted. Yet inadequate worksite activities, poor supervision, and slack worksite standards were found in recurring assessments by the General Accounting Office. Beginning in 1978 the Department of Labor began to specify standards about what was required in worksites, provided models, demanded specification of activities in worksite agreements and used these agreements as an instrument in massively expanded on-site monitoring. There were substantial improvements in the quality of worksite activities as a result of this emphasis on quality and on-site monitoring. These improvements were documented by the GAO but were no more visible in the management information collected by

the Department of Labor than were the earlier shortcomings. In fact, unit costs rose noticeably as a result of increased management and monitoring efforts and more enrichment of worksite activities.

In a system which focuses on aggregates, and on quantity over quality, there is little incentive for the prime sponsor to develop high quality, intensive components. If these served only a small proportion of participants, their effectiveness would be completely hidden in a mass of numbers under the current management information system. Likewise, the “feds” could not easily assess intensive investment programs locally. Despite the massive paperwork requirements on local systems, the management information system does not collect the *right* information needed to support local or federal management, or to promote either long-term training or the progression of individuals in an orderly way through the system.

The “bogeyman” of the heavy-handed federal government squelching local creativity and dictating decisions turns out to be a pussycat. There is no evidence that the federal regulations or the federal oversight restrict the amount or duration of classroom training undertaken by prime sponsors. The law clearly allows for two-year training courses, but local pressures result in the broadest distribution of limited resources. OJT is restricted because what is allowable is difficult to market, but federal oversight is certainly not the reason many prime sponsors do so little OJT. Yet if the federal presence is largely neutral concerning the exercise of local discretion over activity mix and design, the oversight is not benign. It focuses attention on ritual processes while providing no direction as to what is important. If the “feds” cannot or do not say what works or what the standards should be, nor do they review quality, neither can the local decisionmakers when dealing with politically connected local delivery agents. Why create new training institutions or ap-

proaches when existing deliverers are clamoring for support and there are no incentives and few performance or impact standards for justifying alternatives? Why concentrate resources when low costs and services for more participants are favored by both local politicians and federal monitors? Why worry about relocation (which usually results in an outcry from some local residents and politicians) when planning is focused on local opportunities, and procedural requirements are focused on choosing between local delivery agents? It takes all the ingenuity and resources available to the prime sponsor to avoid the process pitfalls that will be scrutinized in federal review, and to generate the plans and modifications that have little to do with operational realities.

If more and longer classroom training is needed as well as more OJT, past experience provides examples of how this can be accomplished—to a large extent simply by articulating what is wanted in sufficient detail, utilizing performance measures which can identify whether it is being accomplished, and providing funds specifically for the desired purposes. More classroom training can be accomplished by expanding the state set-aside or targeting local resources that can only be spent on training (i.e., the PSIP approach), by requirements for training under work experience as in PSE, or by an overlaid competitively-funded program such as STIP. Longer training can be accomplished by duration specifications for these earmarked and extra dollars, by emphasis from the federal level, and by the use of management information system descriptors that identify costs for specific types of services so that false economies are not achieved by simply shifting to less intensive activities within broad service descriptors. Marginally more OJT can be accomplished by guidelines, set-asides or competitive funding to areas able to move OJT dollars, but the real answer is to change the formula to provide for “try-out” employment before a hiring decision or training contract is signed with the employer.

These actions would focus federal policy, but would not represent a reduction in local control, since there are already copious set-asides, categorical titles, minimum spending requirements and the like. The key is to align these requirements so that they achieve a coherent policy and provide clear guidance.

The real issue, then, is whether a consistent national policy can be developed and sustained. Currently the local CETA system tries to do everything it is told to do, and make the most rational decisions based on the evidence at hand, but the directions are not clear and the locus of decisionmaking inappropriate. The answer is not a new program model, or more vigorous performance monitoring, or redistribution of decisionmaking authority, although all these steps may be required. The need is *rather* to determine what we are trying to achieve, to set long-range goals, and to choose the next steps that will, with the least rupture to the present system, move it in these directions.

The dramatic decline in labor force entrants projected for the next two decades will create shortages of entry workers, increasing the importance and potential of training. The ends and means of the CETA system or its successor should be reoriented in light of future prospects and the evidence that long-term training pays off most. Training rather than job creation should receive priority. Where jobs are provided, they should be combined with and lead into training. Participants willing and able to make a "quantum leap" should be provided the opportunity. Placement must be emphasized, particularly for long-duration training. Mechanisms are needed to facilitate mobility from high unemployment and poverty areas.

Sagging productivity during the 1970s and the decline of our relative economic growth taught us the dangers of short-term perspectives, inadequate and erratic investments in

capital and equipment, and wasteful use of scarce natural resources. The lessons are equally applicable to human resources. The future of the economy and the social fabric depends in great measure on our willingness to initiate and sustain policies which will develop of those who have traditionally been discarded and ignored, but who will be needed more in the coming decades.

At least on this one issue, the prescriptions to achieve equity and efficiency are coincident. Those who preach the supply-side Gospel, as well as those concerned with mitigating the inequalities which have proved resistant to short-duration interventions, should be able to find common ground in support of more intensive training investments for persons of limited employability.