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## ABSTRACT

This document is a transcript of an oversight hearing on the Job Training Partnership Act (JTPA). It is the first in a series designed by the House Subcommittee on Employment Opportunities, Committee on Education and Labor, to evaluate the program. In his introduction, the subcommittee chairman voiced his concern about proposed budget cuts in national employment and training programs, citing the fact that only 2% to 3% of those eligible for JTPA are currently being served by the program. Testimony was heard in support of the program from a congressional representative from Connecticut. Extensive testimony was also given by representatives of the General Accounting Office dealing with the day to day management of the program, both fiscally and operationally. This was followed by a report of a 2-year study (the Grinker-Walker report) focusing on the alteration in institutional relationship implicit in the act, the coordination among public agencies, and the people served and the way these services are delivered. Appended are extensive supporting documents including a response to the Grinker-Walker report by the Hispanic Community, and prepared statements of all those testifying. (CG)

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# OVERSIGHT HEARING ON THE JOB TRAINING PARTNERSHIP ACT (Part 1)

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## HEARING

BEFORE THE

SUBCOMMITTEE ON  
EMPLOYMENT OPPORTUNITIES

OF THE

COMMITTEE ON EDUCATION AND LABOR  
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, MAY 2, 1985

Serial No. 99-15

Printed for the use of the Committee on Education and Labor



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# OVERSIGHT HEARING ON THE JOB TRAINING PARTNERSHIP ACT

THURSDAY, MAY 2, 1985

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES,  
COMMITTEE ON EDUCATION AND LABOR,  
*Washington, DC.*

The subcommittee met, pursuant to call, at 10:20 a.m., in room 2261, Rayburn House Office Building, Hon. Matthew G. Martinez (chairman of the subcommittee) presiding.

Members present: Representatives Martinez, Hayes, Hawkins, and Gunderson.

Staff present: Tim Minor, staff director; Eric P. Jensen, deputy staff director; Paul Cano, legislative assistant; and Genevieve Galbreath, chief clerk/staff assistant; Dr. Beth Buehlman, Republican staff director for education; Mary Gardner, Republican legislative associate.

Also present: Representative Perkins.

Mr. MARTINEZ. I would like to welcome you all today to the Subcommittee on Employment Opportunities' first oversight hearing on the Job Training Partnership Act. During the coming months, the subcommittee will focus to a great extent on the progress of JTPA.

The subcommittee intends to fully evaluate the program and will utilize the assistance of many individuals and groups in compiling its research.

As chairman of the subcommittee which has jurisdiction over JTPA, I am very concerned about the President's budget proposals. The proposed drastic cuts and rescissions in the Nation's employment and training programs is less than the best response to the tremendous need. At present funding levels, JTPA only serves about 2 to 3 percent of those eligible for program participation.

To further deny America's unemployed the opportunity to acquire employable skills clearly demonstrates the administration's lack of concern for the basic needs of a large sector of our population. While no one disagrees that appropriate measures must be taken to reduce our Federal deficit, to do so at the expense of programs that make people contributors rather than dependents is not in our Nation's best interest.

Our youth, the displaced workers, and other unemployed Americans deserve so much more than what the administration has been willing to provide. As has been said before, the future of our Nation will only be as successful as its citizens. Undoubtedly, un-

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employment and underemployment cloud many futures for many Americans.

Our first witness today is the Honorable Nancy Johnson. Why don't you start your testimony. Your full text, if you have a prepared text, will be submitted for the record and if you wish to summarize, you may do so.

**STATEMENT OF HON. NANCY L. JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT**

Mrs. JOHNSON. Thank you very much, Mr. Chairman. It is a pleasure to be with you this morning and to have this opportunity to testify on the Job Training Partnership Act. I commend you for holding this hearing and for recognizing that when Congress plants a seed, it must also nurture growth.

The Job Training Partnership Act embodies a new vision of public/private sector cooperation to meet the training and retraining needs of our society. While the concept is fundamentally sound and has tremendous potential, it needs our strong support for adequate funding and our careful attention to making thoughtful and modest adjustments to its structure if it is to fulfill its promise.

Early JTPA data is quite encouraging. The partnership that Congress envisioned between business and government at the local level seems to be working. In fact, one of the most important messages that I bring to the Congress from my constituents is the plea that we not make major changes in the program. It has now begun to function smoothly and all see major changes as endangering hard-won gains. However, as in all new undertakings, adjustments can fine tune JTPA and better suit it to its challenge.

There are three issues that emerged from the hearing and dialog that I held in my district recently with JTPA administrators, participants, and other interested people that I believe the Congress needs to address. One is obstacles to participation; the second is performance standards; and the third is funding levels.

A thorough evaluation of JTPA's performance must take into consideration the present obstacles to participation by those it was intended to serve. One major obstacle is the lack of day care subsidy dollars.

In Hartford, CT, 42 percent of the placements are AFDC and general assistance recipients. This is in part because Hartford has a significant number of day care slots. In smaller urban areas and small towns, the lack of funding for day care expenses is preventing JTPA from serving one of its most important target groups. In Hartford, this impressive percentage could be increased if day care subsidy money became available.

I urge you to link reimbursements for day care with training participants receiving AFDC assistance. The total absence of stipends is clearly making it very difficult to recruit the disadvantaged with dependent children.

Further, I would urge you to allow day care subsidies to decline only gradually over the first 6 months of employment to enable those who have benefited from the training to make the difficult financial transition from AFDC to independence, and I can't stress this enough. One of the big reasons why training of AFDC recipi-

ents has failed is because there has been a failure on the part of government to recognize the need for transitional support and this—enabling JTPA to provide transitional, even declining, day care subsidies will enable recipients who have, in fact, benefitted from training to survive those first few months of bills that are often in excess of salary.

Another related problem barring participation by individuals needing JTPA services are the laws and regulations on income eligibility. These work against several very important groups of people. One is the dislocated homemaker who badly needs training and employment and who is clearly a target group of JTPA, someone who is supposed to be being served, but whose total assets often jeopardize their eligibility.

Another is the spouse of the low-income head of household. Often low-income women who need to work to provide support for the family cannot get a job without training and yet, because of a husband's income, they are ineligible for training. I just remind you of all the statistics about how many of these women don't have high school degrees and don't have any experience and don't have any marketable skills.

I believe women need to be able to be eligible in their own right and should not be denied access to training because of a spouse's employment. Such exclusion is particularly cruel for low-income families.

A similar problem exists for handicapped youths and those over 55 that are denied eligibility on the basis of a spouse or family incomes and, indeed, some of my program administrators do report handicapped children who badly need to be tracked into these training programs, but because of family income issues, they are not eligible.

Last, a very real problem has developed for welfare recipients in college basic skills or career training programs. Tuition assistance grants have the effect of making them ineligible for food stamps or even welfare, thus making training and employment nearly impossible to obtain.

Unemployment insurance benefits are also preventing participation by many and I hope you will amend JTPA so that it very clearly removes the irrational penalties that discourage the unemployed and welfare dependent from gaining the training necessary for independence and success.

In addition to barriers to participation, a significant problem that has developed with the JTPA centers around the issue of performance standards. Under current law, performance is judged according to the number of positive terminations. This definition is rigid and narrow and works against the purpose for which JTPA was developed. It does not allow a program to claim a positive termination for a client who completes a basic skills program and is then placed in a training program, or the transferring of someone from training to an on-the-job program.

If JTPA is to address the problems of the hardcore unemployed, then there must be the flexibility to meet remedial and readiness needs before attempting skill development.

Some of the most creative and successful new approaches to training that JTPA has stimulated in Connecticut are coventures

through which community colleges and vocational training programs team up to use their resources to address the needs of the long-term unemployed. I urge you to amend JTPA to allow coventuring and movement from classroom to workplace training when appropriate. Under the current system, you see, one of these programs has to take a negative termination in order for the person to move on appropriately to progression of training that they need.

Last, there exists tremendous concern that JTPA funding may be reduced as the need to address the deficit influences budget and appropriations decisions. Cutbacks at this time would be a breach of faith with both the clients and the business community, which was urged to invest heavily in this partnership effort which is only now beginning to see a productive program emerge from the efforts of all.

Congress must respect the need for the program to gain administrative stability at both the State and local levels. In addition, I believe title III funding for the dislocated worker program should be increased. In Connecticut, this program is retraining and placing people very effectively and could serve more clients if funds were available.

I would also urge you to drop the matching fund requirements as all who testified at my hearing agreed that this requirement creates no new training dollars, but merely a lot of administrative work to shuffle grants to create matches, and indeed, it apparently does become that kind of creative administrative effort and it is the opinion of all that it is bringing no new training dollars into the stream and that, because the program is minimally funded and the client pressure is great, that in-kind contributions will continue to be utilized wherever possible to free funds for training. Therefore, a specific match requirement is unnecessary and burdensome.

The Job Training Partnership Act is one of this Nation's major investments in human capital investment and in order to determine whether the investment has been productive, we must measure the increased employment and earnings of participants. This means making fairly sophisticated evaluations.

In Connecticut, my constituents are fearful that current funding will not allow needed evaluations and in this regard, I hope you will recommend funding for evaluation functions as well as for training programs.

JTPA has achieved remarkable results in a relatively short time by establishing throughout the country a new decisionmaking process involving both the public and the private sectors. It is a program that is off to a good start and Congress should be careful not to make such changes in the law that would require this newly established program to survive the chop of major reorganization. However, thoughtful specific changes can remove obstacles to participation, provide realistic performance standards, and assure reasonable funding.

The public/private partnership that has been painstakingly established is beginning to flourish and deserves our continued support.

I would be happy, Mr. Chairman, to answer any questions or to work with your staff in terms of the detail of some of the changes that need to be made, at least in my opinion, and as they have



emerged from the program administrators, the clients, and the business people and the nuts and bolts out there that have been working to get this law in place.

[The prepared statement of Hon. Nancy L. Johnson follows:]

**PREPARED STATEMENT OF HON. NANCY L. JOHNSON, A MEMBER OF CONGRESS FROM THE STATE OF CONNECTICUT**

Thank you, Mr. Chairman, for providing this opportunity to testify on the Job Training Partnership Act. I commend you for holding this hearing and for recognizing that when Congress plants a seed it must also nurture growth. The JTPA embodies a new vision of public-private sector cooperation to meet the training and retraining needs in our society. While the concept is fundamentally sound and has tremendous potential it needs our strong support for adequate funding and our careful attention to making thoughtful and modest adjustments to its structure if it is to fulfill its promise.

Early JTPA data is quite encouraging. The partnership that Congress envisioned between business and government at the local level seems to be working. In fact, one of the most important messages that I bring to the Congress from my constituents is the plea that we not make major changes in the program. It has now begun to function smoothly and all see major changes as endangering hard won gains. However, as in all new undertakings, adjustments can fine-tune JTPA and better suit it to its challenge. There are three issues that emerged from the hearing and dialogue I held in my district recently that I believe the Congress needs to address: 1) Obstacles to participation, 2) Performance Standards, and 3) Funding levels.

**OBSTACLES TO PARTICIPATION**

A thorough evaluation of JTPA's performance must take into consideration the present obstacles to participation by those it was intended to serve. One major obstacle to participation is the lack of Day Care subsidy dollars. In Hartford, Connecticut, 42% of the placements are AFDC or General Assistance recipients. This is in part because Hartford has a significant number of Day Care slots. In smaller urban areas and small towns the lack of funding for Day Care expenses is preventing JTPA from serving one of its most important target groups. In Hartford this impressive percentage could be increased if Day Care subsidy money became available. I urge you to link reimbursements for Day Care with training participants receiving AFDC assistance. The total absence of stipends is clearly making it very difficult to recruit the disadvantaged with dependent children. Further, I would urge you to allow Day Care subsidy to decline only gradually over the first six months of employment to allow those who have benefited from training to make the difficult financial transition from AFDC to independence.

Another related problem barring participation by individuals needing JTPA services are the laws and regulations on income eligibility. These work against several very important groups of people. One is the dislocated homemaker who badly needs training and employment but whose total assets often jeopardize their eligibility. Another is the spouse of the low-income head-of-household. Often low-income women who need to work to provide support for the family cannot get a job without training and yet because of a husband's income they are ineligible for training. I believe women need to be able to be eligible in their own right and should not be denied access to training because of a spouse's employment. Such exclusion is particularly cruel for low income families. A similar problem exists for handicapped youths, and those over 55 that are denied eligibility on the basis of spouse or family incomes. Lastly, a very real problem has developed for welfare recipients in college basic skills or career training programs. Tuition assistance grants have the effect of making them ineligible for foodstamps or even welfare thus making training and employment nearly impossible to obtain. Unemployment Insurance benefits are also preventing participation by many and I hope you will amend the JTPA so that it clearly removes the irrational penalties that discourage the unemployed and welfare dependent women from gaining the training necessary for independence and success.

**PERFORMANCE STANDARDS**

In addition to barriers to participation a significant problem that has developed with the JTPA centers around the issue of performance standards. Under current law, performance is judged according to the number of "positive terminations". This

definition is rigid and narrow and works against the purpose for which JTPA was developed. It does not allow a program to claim a "positive termination" for a client who competes a basic skills program and is then placed into a training program or the transferring of someone from training to an on-the-job program. If JTPA is to address the problems of the hard-core unemployed then there must be the flexibility to meet remedial and readiness needs before attempting skill development. Some of the most creative and successful new approaches to training that JTPA has stimulated are co-ventures through which community colleges and vocational training programs team up to use their resources to address the needs of the long term unemployed. I urge you to amend JTPA to allow co-venturing and movement from classroom to workplace training when appropriate.

#### FUNDING

Lastly, there exists tremendous concern that JTPA funding may be reduced as the need to address the deficit influences budget and appropriations decisions. Cut-backs at this time would be a breach of faith with both the clients and the business community which was urged to invest heavily in this partnership effort which is only now beginning to see a productive program emerge from the efforts of all. Congress must respect the need for the program to gain administrative stability at both state and local levels. In addition, I believe Title III funding for the Dislocated Worker Program should be increased. In Connecticut this program is retraining and placing people very effectively and could serve more clients if funds were available. I would also urge you to drop the matching fund requirements as all who testified at my hearing agreed that this requirement creates no new training dollars but merely a lot of administrative work to shuffle grants to create matches. Because the program is minimally funded and the client pressure great in-kind contributions will continue to be utilized wherever possible to free funds for training. A specific match requirement is unnecessary and burdensome.

The JTPA is one of this nation's major investments in human capital development and in order to determine whether the investment has been productive, we must measure the increased employment and earnings of participants. This means making fairly sophisticated evaluations. In Connecticut, my constituents are fearful that current funding will not allow needed evaluations and in this regard I hope you will recommend funding for evaluative functions as well as the training program.

The JTPA has achieved remarkable results in a relatively short time by establishing throughout the country a new decision making process involving both the public and private sectors. JTPA is off to a good start and Congress should be careful not to make such changes in the law that would require this newly established program to survive the chop of major reorganization. However, thoughtful, specific changes can remove obstacles to participation, provide realistic performance standards, and assure reasonable funding. The private-public partnership that has been painstakingly established is beginning to flourish and deserves our continued strong support.

#### PARTICIPANTS IN JTPA HEARING, BRISTOL, CT, APRIL 26, 1985

Dick Ficks, CT Department of Labor;  
 Eli Gussen, CT Department of Labor;  
 Dean Margaret Bauer, Greater New Haven State Technical College;  
 Brenda Craig, Greater Hartford Community College;  
 Harvey Kline, Greater Hartford Community College;  
 Steven Berman, New England Training and Employment Council, Inc.;  
 Irvin Kyle, Dean of Community Services, Tunxis Community College;  
 Peter Palermino, CT Department on Aging;  
 Carl Mason, Mason and Co., Inc.;  
 Robert McBain, New Britain Chamber of Commerce;  
 Richard Lamothe, New Britain-Bristol PIC Chairman, Bristol Savings Bank;  
 Dominik J. Badolato, Executive Director, AFSCME, CT Council 4, AFL-CIO;  
 George Bruzinski, New Britain-Bristol PIC-Services Director;  
 Laurie Lopez-McNulty, CT United Labor Agency;  
 Victor Mitchell, CT United Labor Agency;  
 Albert Casase, President of Concerned Seniors Association;  
 Cheryl Sharp, New Jobs for Women, Hartford YWCA;  
 Dorothy Shirley, New Jobs for Women, Hartford, YWCA;  
 Frank Cole, Travelers Insurance, Data Processing Director;  
 Francis Rinaldi, Carpenters Union Local 24;

Nancy English, UAW Job Development and Training;  
 Bob Lewis, UAW Job Development and Training;  
 Dan Mastripietro, UAW Job Development and Training;  
 Dan Sforza, Painter, Local 481;  
 Gregory P. Steltner, Director, New Britain Department Public Welfare;  
 Thomas R. Menditto, New Britain Workfare Coordinator.

CITY OF NEW BRITAIN,  
 DEPARTMENT OF PUBLIC WELFARE,  
 New Britain, CT, April 18, 1985.

Hon. NANCY L. JOHNSON,  
 Cannon House Office Building, Washington, DC.

DEAR CONGRESSWOMAN JOHNSON: The Job Training Partnership Act has not proven its effectiveness to us at the municipal welfare level. The main goal of this program is to train persons in order to get them into the workforce. To that end it does not appear to be successful. The majority of unemployed, especially the chronically unemployed, are on general assistance. As of this date, I know of only two individuals on general assistance in New Britain who have found employment as a result of their involvement with J.P.T.A.

J.P.T.A. appears to achieve its results by "creaming". They appear to be concerned with only accepting those who have a good chance of success and/or appear to be readily trainable. The result is that the welfare recipient is usually ignored.

J.P.T.A.'s screening and testing process is very lengthy. Despite promises to correct this problem, nothing has changed.

J.P.T.A. does not mesh with workfare. Since the beginning, J.P.T.A. officials have insisted that we guarantee that welfare recipients will remain in their training programs for a period of six months to one year. Since we cannot realistically make such promises due to a person's ability to go off and on the rolls at will, they have accepted less than a handful of our clients. Also, because of this requirement, it is impossible to use J.P.T.A. as a worksite.

In summary, it appears to us that J.P.T.A. is not successful in curing unemployment. Much money has been spent on administrative costs, i.e., new desks, new computers, new chairs, etc., where more of that money should have been directed towards service delivery.

In my opinion, J.P.T.A. needs to be reviewed. Its goals need to be re-directed towards the chronically unemployed. The means to achieving these goals must be scrutinized.

Very Truly Yours,

GREGORY P. STELTNER,  
 Director,  
 New Britain Department of Public Welfare.  
 THOMAS R. MENDITTO,  
 Workfare Coordinator.

THE GREATER MERIDEN LABOR COUNCIL,  
 Meriden, CT, April 19, 1985.

Hon. NANCY L. JOHNSON,  
 Congresswoman, New Britain, CT.

DEAR CONGRESSWOMAN: My name is Albert Casale, President of the greater Meriden Labor Council, AFL-CIO. Our organization has sponsored a highly successful job search skill training program that has served hundreds of hard-to-place clients over the past 8 years, while enjoying a placement rate of 80%.

Thank you for the opportunity to share with you some of my concerns concerning Job Training Partnership Act funding. Listed below are some reasons why I believe this program should be refunded.

Firstly, as you know, there is a serious moral conflict involved in prohibitive funding for sophisticated weapons that can destroy our earth in preference to fundamental human rights and needs such as employment.

Secondly, the formula for funding is illusory since a major part of it is premised on the unemployment rate. This does not include those who have exhausted their benefits or discouraged workers who have abandoned their job search. For example, of the 82 clients served in the last fiscal years, only 20 (24%) were collecting unemployment compensation. Moreover, those collecting unemployment compensation in its earlier stages are ineligible for JTPA programs since they are over income.

Thirdly, the amount of money saved by removing clients from public subsistence and placing them into productive employment is incalculable financially, personally and morally. It restores pride in oneself and in one's country.

Fourthly, the large number of plant closings and the dislocation of workers are increasing at an alarming rate. The enclosed data documents the enormity of the problem in Connecticut.

Finally, leading indicators forebode a cooling economy and an increasing unemployment rate.

These are but some of the many reasons why funding under the Job Training Partnership Act should not only not be reduced but increased. I urge you to give this matter your serious attention. Thank You.

Sincerely,

ALBERT CASALE.

TUNXIS COMMUNITY COLLEGE,  
Farmington, CT, April 22, 1985.

Hon. NANCY L. JOHNSON,  
U.S. Representative, New Britain, CT.

DEAR REPRESENTATIVE JOHNSON: This is in response to your invitation for comments on the Job Training Partnership Act at the hearing on April 22 in Bristol.

The experience of Tunxis Community College with JTPA is based on three proposals (1) a Dental Assisting Pre-Clinical Program in which ten of the twelve participants completed training but only three were able to be placed in dental offices (2) a Retail Trades Program which was approved for funding but cancelled because only four JTPA-eligible persons could be recruited for the program (3) a Basic Skills Proposal (reading, writing, math, study skills, career management) for twenty persons, submitted for FY1985-86, status for funding as yet undetermined.

Based on the above limited experiences, I offer the following observations:

(1) Collaboration among the many agencies involved in JTPA is a very slow and laborious process (business, town governments, community organizations, PIC's, state agencies, program operators, Job Services, etc.). It obviously will take time, patience, and much goodwill for effective working relationships to develop and for the "tur" syndrome" to mitigate. Some of the same complaints once directed towards CETA are sometimes echoed with respect to bureaucratic delays and excessive and redundant paperwork. We trust that in time the spirit of true partnership will characterize JTPA in practice as well as in concept.

(2) Recruitment and placement efforts need better coordination at the State and SDA level. Increasingly both of these key functions are falling by default on program operators, many of which are already overwhelmed by the intricacies of training a hard-to-train and hard-to-place clientele.

(3) The total absence of stipends makes it very difficult to recruit the disadvantaged, particularly those with dependent children. The intensive training schedule of some programs makes employment-for-survival virtually impossible. We recommend stipends on a selective basis for hardship cases.

(4) We urge reform of laws and regulations on income criteria which work against dislocated homemakers taking advantage of JTPA training.

(5) We urge reform of laws and regulations which prevent persons in college-credit training programs from getting full benefits of public assistance, such as welfare and food stamps.

(6) We urge re-consideration of the 15% maximum allowance for administrative costs. The burden of administering these programs is often far in excess of 15% and the deficit must be absorbed by program operators.

Tunxis Community College is very appreciative of the opportunity to present these observations to you.

Sincerely,

IRVIN F. KYLE, JR.,  
Dean of Community Services.

NEW ENGLAND TRAINING AND EMPLOYMENT COUNCIL,  
Hartford, CT.

My name is Stephen Berman. I am the executive director of the New England Training & Employment Council, Inc., headquartered in Hartford. NETEC is a private, non-profit corporation formed in 1976 to provide training, technical assistance,

information and advocacy for cities, counties and states, and now private agencies, responsible for federally-funded employment and training.

Thank you, Congresswoman Johnson, for providing this opportunity to comment on the status of the Job Training Partnership Act. I will read a brief prepared statement and then, time permitting, attempt to answer some of the excellent questions sent with your letter of invitation.

The first results are in from the evaluation of JTPA and the news is quite encouraging. The partnership that Congress envisioned between business and government at the local level seems to be working.

From its start, one and a half years ago, performance standards, business involvement and welfare reduction have been the aspect of JTPA emphasized by the White House, the individual states and the local Service Delivery Areas. The federal government's role has been dangerously reduced and the state's role greatly expanded. Both have left early choices regarding JTPA program priorities and implementation largely to local decisionmakers. And that has been wise.

The vast majority of SDAs in New England report that the potential for high placement rates and low costs have been the critical factors in putting together the initial package of programs and services. As a result, the first activities have been even more weighted towards basic efforts such as classroom and on-the-job training than the Act requires. A national sample shows 76 percent of funds expended on these activities compared to the Act's 70 percent requirement.

Results, in terms of placement's, cost, program duration and targeting have gone well beyond expectations. Although not as high as the first nine month transition period, the nine Connecticut SDAs get good marks for the first six months of this program year (July 1, 1984 thru December 31, 1984).

Some results compared to their own Performance Standards:

Adult entered employment rate: the average SDA standard is 50% while the average result was over 55%.

Average wage at placement: the typical standard was set at \$4.70 while actual achievement averaged \$5.16.

The average cost per adult placement ran about \$3,400 while the standard was set at above \$3,700 per placement.

The 17 SDA/PICs in Massachusetts and Maine did even better in most categories. New England, in general, ranks very high nationwide . . . as it has for as long as I can remember.

Creaming, which I define as giving preference to serving those who require short term, inexpensive services in order to secure jobs, is real, not the problem some insist. Virtually all individuals enrolled in JTPA meet the definition of economically disadvantaged and the various target populations served equal their average in the overall population.

Also, there is a high correlation between client populations served and what happens to them. As example, in one SDA in Connecticut, they served 32% school dropouts (above the area average) and results show that over 30% of the total persons placed in unsubsidized jobs were school dropouts.

JTPA legislation has meant numerous changes: institutional, programmatic, organizational and governance when compared to CETA and earlier training efforts.

It has not, however, been a time when experimentation, demonstration, complexity, or tackling the toughest possible problems seem to offer much reward. Achieving "bottom line" performance seems to have been a more secure route so far. Early efforts have concentrated on those most able to benefit from JTPA as opposed to those most in need. Both are targets of the Law.

It now appears, however, that the cream is off the top of the eligible clients pool. Whether the SLAs can maintain their achievements in private sector involvement and in placement and cost performance while targeting more effectively on less job ready individuals is a major issue. The system has reached that population requiring far more expensive and time consuming services. Future results will depend upon the strength of local economies; levels of JTPA funding; and the potential for legislative changes.

Another difficult area is the requirement to spend 40% of the Title II A funds on youth. Many officials have told me that severe restrictions on work experience and denial or reduction of training stipends is making it very difficult to attract youth . . . particularly dropouts.

In contrast to the performance with youth, dropouts and other high need individuals, SDAs on average have exceeded their goals for enrolling welfare recipients. Welfare clients were the one group that both private industry councils and local governments agreed should be served in large numbers, in hopes of a quick return in terms of reduced welfare dependency. In Connecticut, the standard average was

42% welfare client placed . . . the average *actually* placed the first six months of this program year was nearly 60%.

Overall, private sector influence is strong in New England. They have typically pushed for a "business-like" orientation, by which the training program brings together the customer . . . the potential employer . . . and the product . . . the placement. Private sector members emphasize efficiency and prevention of disallowed costs and their role is primarily the "Marketing" of the JTPA program.

This influence will be lost, however, if state governors and state job training coordinating councils do not recognize PICs as the solid infrastructure of JTPA and encourage their use as mini-authorities capable of overseeing JTPA as well as other employment and training efforts. Their success will insure the governor's position and the state's high national rating. It will also make the link to state and local economic development more secure and productive.

JTPA is really an investment in human capital, and in order to determine whether the investment has been productive, we must measure the increased employment and earnings of participants and the redirections in welfare dependency. This means some fairly sophisticated evaluation. It might take years before we have all the facts (and only if OMB reverses its policy). We know Congress can not wait years, so short-term indicators have been developed for long-term success.

The JTPA system is right now wrestling with the issue of performance standards. Congress and DOL chose seven national standards. Some states are adding new ones such as youth competencies and follow-up measures. Some questions now being asked are:

How do we measure quality of outcomes that will in the long run give us evaluation results that show the program did achieve increases in employment and earnings and decreases in welfare dependency?

How do we collect the right data in a timely fashion?

How do we construct a system that takes into account the differences among areas with regard to economic conditions and client characteristics?

How do we construct a system of rewards and sanctions to provide incentives for the system to improve services?

What must be watched in the future is that new programs will be more expensive to design, administer and operate and less likely to place large numbers of applicants than the current approach. Performance standards, therefore, must not be allowed to drive the system unduly.

Finally, permit me to raise some concerns held by those working in the employment and training field—both volunteers and paid staff:

1. We are all deeply worried that significant funds may be cut from JTPA as budget and appropriations are settled by Congress. Cutbacks of any size would be disastrous to an already lean program and produce a negative rippling effect throughout the system. The fear of funding cuts applies not only to JTPA but the Employment Service, the WIN program, Job Corps, and vocational education.

2. Administrative funding stability at both state and local levels is essential. Cost limitations are too low and the raise and fall of annual appropriations makes an effective administration impossible. Overhead and fixed costs are necessary to run any business.

3. Many PICs want to use JTPA funds for upgrading with guaranteed back fill commitments from employers. The present law and regulations make that impossible.

4. Title III, the Dislocated Worker program, has become more and more effective and more vital to the Northeast—as increased numbers of plants are closing. The new American Unemployment is this ever increasing number of dislocated workers. Congress must not allow cuts in funds and can make for more reality by dropping the matching requirements.

5. We have recently learned that the Department of Labor expects to severely reduce the limited amount of training and technical assistance funds now allocated through national contracts such as the National Alliance of Business, Human Resource Development Institute, AFL/CIO, the National Governors' Association and others. This would be penny wise and pound foolish, since states are unable to provide adequate TA.

6. It is time to experiment with our Unemployment Insurance system and try one or more efforts at the use of training vouchers, such as the bill introduced by the Congresswoman from Connecticut. I would also encourage the entrepreneur system now utilized in England and France where unemployed, particularly economically disadvantaged, are permitted to use UI payments and/or welfare payments to start new business of their own.



7. Once again, I make a plea for pressure on OMB to permit DOL to carry out the mandate of Congress for adequate accounting of JTPA results. Sampling will not work. We need real follow-up of clients and full analysis of results.

8. Congress must not permit DOL to downgrade or close the Boston regional office of the Employment and Training Administration. New England should not be second class citizens to an overpowering presence in New York and New Jersey. There is little enough federal support.

Again, I thank you for allowing me to present my views on the status of JTPA. It is a bold, new approach to providing human services development through a partnership between business and government. Your interest in this effort is very encouraging. We hope it symbolizes the determination of Congress to continue and strengthen the federal role in job training.

#### QUESTIONS FOR CONSIDERATION

1. Are state, local, PIC., and community based organizations clearly and appropriately defined?

a. If not, what changes are needed?

State level program administration, local elected officials, PICs, and community organizations all seem to have a clearly defined role under JTPA. The SJTOC in Connecticut seems to be searching for its role in the process.

2. Are intake forms too complicated, too detailed, or too personal?

No. As the State's Administrator we believe the forms are acceptable.

a. If so, what information requested is not needed?

3. Are reporting requirements equal to, less than, or more than those under CETA?

Reporting requirements are far less than those under CETA.

a. Should they be altered?

b. If so, how? No. The State Administration requires only those reporting items mandated by the USDOL and the SJTOC.

4. How is JTPA working with local Departments of Welfare and local school districts?

All SDAs have working agreements with local welfare agencies. The effectiveness of the agreements varies from one SDA to another. See attached.

a. Does JTPA serve welfare clients? If not, why not?

Yes.

b. Has JTPA succeeded in placing long term unemployed and remove them from welfare? If not, why not?

The client characteristic mix under JTPA in Connecticut is very similar to that under CETA. PICs have local school district representation. These bodies are the final authority in local program design.

5. Who is being served: youth, women, disabled worker, longterm unemployed?

During the first nine months of PY 84 (7/1/84-3/31/85) the Title IIA program statewide has served 4,163 women (56% of total), 966 handicapped (13% of total) and 4,512 (61% of total) long term unemployed.

6. Who drops out and why?

Dropouts from programs under JTPA do not appear to be a major problem. When this does occur it is generally because of an individual problem encountered by that participant.

7. Are people eligible to participate not participating? If so, why?

Lack of income while in training. This problem is even more prevalent in long term training programs.

8. Are women and minorities participating in training for nontraditional jobs?

Some SDAs have contracted for programs specifically designed to overcome sex stereotyping. Program mix is a local PIC decision.

9. Does the pressure to place in employment result in significant numbers being underemployed?

At the present time we do not have follow-up to indicate this is a problem but it certainly is a possibility given the emphasis on meeting performance standards.

10. Is examining happening? If so, how extensively and why?

Question is unclear.

11. Is performance based evaluation working?

We do not believe we have had enough experience in JTPA to determine whether or not this process is working effectively. We do feel that after we have gone through the first full 2 year period under JTPA we would be able to more accurately judge the effectiveness of performance based evaluation. Mostly, yes it works.

12. Is lack of child care a problem?

This concern has been expressed by some SDAs in Connecticut. Some SDAs provide child care support through locally developed needs based payments systems.

13. How does JTPA address the situation of a client who has no high school diploma?

There are a variety of program activities available under JTPA for both youth and adults which address this situation. In particular, there are many exemplary youth programs which assist dropouts.

14. Is remedial education and language education available?

This is offered in most, if not all, SDAs in Connecticut.

15. What proportion of clients need pre-training to overcome other self image and/or educational deficit problems?

Client assessment information is not collected at the State level. SDAs are under obligation to service those identified by the PIC as most in need of JTPA programs.

16. Do PICs have good data for making choices?

Good data is available if the PIC has the resources and the staff to do the research necessary.

a. Is labor market analysis available to determine local skill needs?

Yes, it is available and efforts are continuing on a State and local level to improve upon the data that is necessary to properly carry out this function.

17. Are new and innovative training programs being stimulated by JTPA?

Many SDA/PICs are using performance based contracting and competitive bid for client training and services. Most SDA/PICs are operating one or more exemplary youth programs, i.e., Tryout Employment in the private sector, Vocational Exploration, etc. The performance drive under JTPA seems to discourage risk taking and encourages programming with proven outcomes.

18. Are alternatives to pre-existing training programs being considered?

Yes. Many pre-existing training programs are not cost efficient by the new JTPA standards. We have seen the emergence of numerous national program operators that tend to be more economical in terms of cost per job placement and offer substantial competition to traditional local operators.

19. How does the PIC evaluate the quality of training programs?

This differs in each SDA depending upon the amount of the involvement of each PIC. Each SDA sets up its own criteria in a plan submitted to and approved by the JTPA Administrator acting for the Governor. One common measure for evaluation is the ability to meet national performance standards.

20. How does PIC perform oversight?

Again as in 19 above, the process of oversight differs among SDAs.

PIC Program evaluation committees and in some cases PIC staff perform program oversight functions.

21. Are enough training opportunities available to meet the needs of clients?

No. Funding availability and recent budget recessions by the presidential administration necessitate prioritizing applicants for service. Such reductions limit client service and administrative dollars with no reductions in administrative burdens.

22. Who controls your PIC staff?

We are the State JTPA Administrators, therefore this question is not applicable.

23. Has politics influenced program choice or other critical decisions?

I would say to some extent politics has and always will have some influence over any program that has local and State officials involved. We believe, however, that for the most part, decisions made on program choices and other critical decisions have been correct. The political influence in many instances is tempered by the authority of PICs.

24. Is the national wage standard a problem?

We are using the National Model to adjust these standards. However, in some SDAs this wage still presents a problem. The reason for the problem is that the wage data takes all people's wages into account while placements under JTPA are at the entry level.

25. What follow up do you do after placement?

At the present time we, as the State's Administrator, do not require follow-up. We do believe that some SDAs are doing follow-up on their own.

26. What are your statistics on retention?

Same as in 25 above.

27. What are JTPA's strengths, successes, unfulfilled promises?

JTPA is young in terms of evolutionary experience. Without the statistical data it is difficult to render judgments at this point as to the program's effectiveness. Preliminary experience seems to indicate that training programs under JTPA operate at less expense per client than CETA. The negative side indicates that far less pe-



ripheral services are provided to clients primarily due to the cost efficiency motivation of performance criteria.

Of primary concern from a statewide perspective is the lack of sufficient funds to fulfill the promises made in the legislation. Facing serious reductions in funding allocations for the coming year some of Connecticut's smaller SDAs may experience difficulty meeting the needs of this State's unemployed to any significant degree.

Mr. MARTINEZ. Mrs. Johnson, your testimony is very enlightening and it also reaffirms what we have heard at other hearings.

At this time, let me take the opportunity to introduce the Honorable Gus Hawkins, who is chairman of the full committee, and Chris Perkins, the Honorable Congressman from Kentucky.

At this particular time, because Mr. Hawkins is on a very tight schedule, I would like to ask him if he has any questions before he leaves.

Mr. HAWKINS. Yes, if the Chair will allow me. Thank you very much.

Mrs. Johnson, I am certainly impressed with your statement. There are several suggestions, however, I think we should make.

First of all, we are not quite as enthusiastic about the operation of JTPA as you seem to be on the first page of your statement. I, unfortunately, do not agree with the assessment as being quite as optimistic as you suggest. It is possible, and I imagine this is actually the situation, that it operates a lot better in your particular area than it does nationwide.

The crafting of the partnership was a very delicate one by the committee, unfortunately, it has not been accomplished in most instances. I think business is running the JTPA Program. This may be desirable from the viewpoint that business has always asked to run it. Now that they have it, we can assess how well they do with it. There has been in many areas, and this may not be true in Connecticut, an absence of that accountability by local governments to participate as aggressively in the partnership as we had anticipated.

However, with respect to other points in your statement, on page 2, you mentioned the total absence of stipends is clearly making it very difficult to recruit the disadvantaged with dependent children. We certainly agree with you. We simply wanted to point out, since you are making these suggestions to this committee, that the bill, as introduced, did contain stipends to support the training programs, particularly for those who would otherwise not be able to take advantage of the training. So I think that recommendation is an excellent one. We certainly agree with you. However, we were forced to eliminate stipends as the basis upon which the President would sign the bill.

Now, whether or not there is a change in philosophy that would allow us to make that recommendation again, I am not sure that that is true. I wanted you to know that the absence of stipends was not due at all to action by this committee or by those of us who were in the conference committee itself. It was due primarily to pressure from the Administration as a means of getting something signed.

On page 3 of your statement, you make a reference to handicapped youths. It is my understanding that the Department of Labor has issued directives that permit handicapped youths to be

served as individuals, and not as a family unit. So I think that within that directive—

Mrs. JOHNSON. That would certainly address the problem.

Mr. HAWKINS. It would address your recommendation which I agree should be done. The staff of this Subcommittee can check with the Department of Labor to make sure that, it is being accomplished, that the Governors of the various States are well aware of it and the Governor of your State is among those who are aware of it.

On the last page, you make reference to JTPA as being off to a good start. In a sense, you make a plea for additional funding. Unfortunately, we don't see that as becoming very realistic. The current disposition seems to be to cut back on JTPA. There is a rescission, requested by the administration, which would reduce the funding for JTPA even as it currently operates.

We are faced, with the recommendation from the Administration to reduce the funding for JTPA. At the same time, we are faced with the recommendation to abolish the Job Corps and WIN and to allow those groups to compete for funding under JTPA. It is unrealistic to expect all of this to be done within the confines of the administration's policies.

The full Committee on Education and Labor, has recommended current service funding for JTPA, as well as other programs. If we can get current services funding, it would at least accomplish some of the recommendations that you have made. Now, as you well know, we may not get current service funding; we may get what is called the freeze, which would be a cut, which would be in complete opposition to what you have stated. I personally would like to commend you on your statement. I know of your great interest in this field and I certainly join with you in these very excellent recommendations and hope that together with the other members of our committee we can accomplish at least some of these changes.

Mrs. JOHNSON. Thank you, Mr. Chairman.

I made it a specific point to address the funding issue. I am not in agreement with the administration's recommendation in regard to JTPA funding, Job Corps funding, or WIN funding, and I think particularly at this time—and I agree with you, the program has gotten off to an uneven start throughout the Nation. I held these hearings with a very negative attitude myself. I did not expect to find people at the point in their thinking that they were. They are much more optimistic than they were 9 months ago, very much more so than 1 year ago, and in the case of the dislocated workers program, are actually moving very, very well and effectively, and so I did want to point out that we could use more money there to accomplish a very important program and I think it is important for us in Government to know that and to fight for that. You can certainly count on me to be an ally in your—

Mr. HAWKINS. Well, I think you should be aware that the administration is seeking to cut the dislocated worker program—

Mrs. JOHNSON. Yes, I am aware of that.

Mr. HAWKINS [continuing]. To \$100 million. Which again travels in the opposite direction. JTPA currently provides a 10 percent allowance which would allow the displaced homemaker, for example, and the others that you referred to in your statement, to partici-

pate in the programs. This would be for individuals who are not economically disadvantaged. So, I think we have already accomplished your recommendation. I am not sure, however, how your State has reacted to this position.

Some States have not taken advantage of it. There have also been the incidents where some States have State requirements that, in a sense, make the program even more restrictive. If Connecticut is not taking advantage of this 10 percent, either because of a State requirement or because some of the PIC's are not aware of the operation of this provision in the law, I would certainly suggest that it be verified.

Mrs. JOHNSON. I did mention—use the word “stipend” because I am well aware of the history of that debate. I used it in this context, to suggest that perhaps stipends for daycare specifically, linked with AFDC recipient training, might be a measure that the Congress might find acceptable in the long run. Maybe not this year, but next year, and that would go a long way toward making, when linked with the AFDC stipends, making training possible, especially if there were transitional support.

So I did use it in that context with almost its double implications.

Mr. HAWKINS. Now you realize that——

Mrs. JOHNSON. That is right, and there is a little money for that. I think it would be good if JTPA more forthrightly addressed, particularly, the day-care support issue.

Mr. HAWKINS. Thank you.

Mr. MARTINEZ. Thank you, Mr. Hawkins. As always, you add to the enlightenment of all of us on the committee.

Mrs. JOHNSON. Yes, I really appreciate it very much.

Mr. MARTINEZ. I have a couple of questions. You mentioned—and I have heard it with regard to other things—that the determination of positive termination and how people, when they have received training under one program—and I think you referred to it as coventuring—do not get credit for going on to another program which is the basic goal to begin with.

Mrs. JOHNSON. That is right.

Mr. MARTINEZ. Could you elaborate on why it is that they have that attitude, why that they don't give that credit, and why it is so important?

Mrs. JOHNSON. I have been kind of unable to locate in the Federal law any precise Federal requirement for this rigid definition of positive termination. On the other hand, the States feel very strongly that this is the way they have to implement the performance standards requirement of the Federal law. I think if we address the fact that positive termination could either be counted by both programs or that the people would be differently counted, then there are ways to deal with the problem.

Right now, your success is judged by how many positive terminations you are able to come up with, and since each program kind of applies independently to the PIC, each program independently has to justify itself and prove its success. Since only employment placement can be counted as a positive termination, that means that someone has to take a loss if a participant is going to be allowed to participate in, first, the basic skills development program, and then

a training program. That is not what we intended. I think we can clarify that.

Mr. MARTINEZ. I imagine that we might need some kind of clarifying language in some way, either through a resolution or some other method, to encourage what you just suggested because I happen to agree with you. I think that it is ridiculous not to conclude that that person has gone on to other training after developing basic skills. It is a positive success. I think we ought to do that.

One other thing that we have heard in recent budget deliberations is that JTPA can replace Job Corps and Job Corps training. Do you agree with that?

Mrs. JOHNSON. Frankly, I think it is too soon to determine that. I think JTPA has a way to go to really get on its feet. The tone of my testimony is very optimistic because the problems that I found can't be addressed by us. They are State implementation problems and they are being addressed—things are better than they were a year ago, but the program still has a way to go to get on its feet, to be an aggressive training instrument for all the groups targeted.

I think only thereafter can we look and see whether or not, for instance, when funds could be dovetailed into JTPA or not. In some States, they are doing that and it is working out very well—at least that is what I understand that Massachusetts is doing.

I think to compel that at this point would be unwise.

Mr. MARTINEZ. One of the criticisms we have heard over a period of time since this program was implemented is that initially a lot of local governments felt that the Federal Government should back off some and allow them to implement their programs and develop the programs themselves, now they feel there is not enough direction and standards set by the Department of Labor. Do you feel that that is good or do you think there are some areas where the Department of Labor should step in and set some standards and give some guidance or technical assistance?

Mrs. JOHNSON. I think that was a big problem for a while because nobody had ever dealt with a Federal program that was un-prescriptive as this program, but now that they are beginning to actually make their own decisions—now, for instance, in the Hartford region, this coventuring is really taken off.

One of our problems actually in Connecticut is getting business to stay involved because it has been a rather bureaucratic program. We are beginning to get over that and in Connecticut, at least, it really is not run by business. At least, that is not my perception, and the balance between business providers and State and local governments still has yet to mature, but each sector has at times had a very strong voice and we are getting some creative and aggressive new training programs out there and some very solid opportunities, so I would hate to see major changes that would cause a major rethinking of these structures that have developed, because I think that would compromise the progress that has been made.

Mr. MARTINEZ. Thank you.

Mrs. JOHNSON. Thank you very much.

Mr. MARTINEZ. At this time, Chris, do you have any questions?

Mr. PERKINS. I don't really have any questions as such, Mr. Chairman. I am interested, and I fully concur with the portion of

your statement that dealt with the need to expand day care facilities and day care care in the transitional period. I think that is one area that we are not currently addressing that needs to be addressed because we are hitting and missing a huge segment of people out there.

I am not really sure that JTPA goes far enough. I suppose I may have an inclination to think back to the good old CETA days in some respect, but I think it is a good program and I certainly am pleased that the gentlelady has come to share her feelings with us and express interest in this program that we all believe is at least a step in the right direction.

Thank you very much.

Mrs. JOHNSON. Thank you. Thank you for your——

Mr. MARTINEZ. I would like to thank you also, and I do agree with much of your testimony. I believe that you would be a great advocate for encouraging the administration to see things in the same light.

Thank you.

Mrs. JOHNSON. Thank you. I appreciate that.

Mr. MARTINEZ. At this time, we have our first panel of witnesses: Mr. Richard Fogel and Mr. Bob Cook. Would you come forward, please.

Mr. Richard Fogel is Director of Human Resources Division, General Accounting Office, in Washington, DC, and Mr. Cook is project director, Westat, Rockville, MD. At this time, who would like to start?

Mr. Fogel.

**STATEMENT OF RICHARD FOGEL, DIRECTOR, HUMAN RESOURCES DIVISION, GENERAL ACCOUNTING OFFICE, WASHINGTON, DC, ACCOMPANIED BY GASTON GIANNI, GROUP DIRECTOR, GENERAL ACCOUNTING OFFICE, HUMAN RESOURCES DIVISION; AND ROBERT F. COOK, PROJECT DIRECTOR, WESTAT, ROCKVILLE, MD**

Mr. FOGEL. Thank you, Mr. Chairman.

I would also like to introduce Gaston Gianni, who is the Project Director in the GAO who directly deals on a day-to-day basis with JTPA.

If it is acceptable to the subcommittee, I would like to have our full statement inserted in the record and I will just briefly summarize for you our key points.

Mr. MARTINEZ. With no objection, so ordered.

Mr. FOGEL. On March 4 of this year, we issued a report to the Congress on initial implementation of title II of the act. For the most part, it appeared to us that implementation of JTPA had proceeded smoothly and the act's provisions had been followed.

We noted, however, several areas that may warrant future attention. First, a frequently mentioned concern initially in the employment and training community was that certain features of JTPA, such as its emphasis on performance standards and the limitation on funds per participant support assistance, may influence service delivery areas to select those persons needing only limited employ-

ment and training assistance to succeed in employment, rather than those needing more extensive assistance.

We did not collect detailed data during this effort that would allow us to determine whether this practice, in fact, existed, but we did note that some service delivery areas used assessment methods and selection procedures that could be used to select those persons most likely to succeed, while others used procedures that focused on those most in need of training.

Second, although the act does not require, no means of comparing program effectiveness among the various States has been established. States are not required to use uniform methods of setting performance standards for service delivery areas. As a result these areas' performance may not be comparable across State boundaries.

Also, the Labor Department's nationwide longitudinal study of former JTPA participants is not designed to allow comparison of effectiveness among the States. We believe these types of comparisons are often useful to the Congress in observing how this program is operated and considering possible changes.

Last, we note that JTPA emphasizes the development of an integrated system that coordinates the services of employment, training, education, and other human service agencies. A substantial number of JTPA agencies in the States, though, had not entered any new coordination agreements or arrangements with many such agencies in the early stages of the program's development.

We also issued a report to Senator Kennedy on April 22 of this year that presents information about the Employment and Training Administration's May 1984 reduction in force in reorganization and problems that members of the job training community anticipate, including low morale, lost program expertise, and reduced efficiency. In this regard, these experts expressed concern that the remaining staff may not have the expertise needed to provide adequate technical assistance.

Another concern expressed was that while the States have been given primary responsibility for operating JTPA, they had not been provided adequate guidance in carrying out this responsibility. Recently, we have been asked by the former chairman and former ranking minority member of this subcommittee to develop information on the kind and extent of assistance, other than training, being provided to JTPA participants and the differences in participant characteristics between those served by the former CETA Program and this program.

We have completed our field work and data analysis and are now drafting a report which we hope to have completed drafting by the end of May.

We noted some differences in the characteristics of CETA and JTPA participants. Between fiscal year 1980 and fiscal year 1982, the percentage of high school graduates in CETA increased from 53 percent to 60 percent and increased to 62 percent under JTPA. Between fiscal year 1980 and fiscal year 1982, the percentage of in-school youth in CETA decreased from 18 percent to 12 percent, but then increased 15 percent under JTPA.

The percentage of school dropouts in CETA between fiscal year 1980 and fiscal year 1982 decreased slightly from 30 percent to 29



percent, but then dropped significantly to 23 percent under JTPA. There are more detailed statistics on all of the comparisons attached to our statement.

Title IIA of the act sets a limit of 15 percent on service delivery areas' total expenditures for administrative costs and a combined limit of 30 percent for their administrative costs and participant support assistance. However, only 39 of the 544 service delivery areas responding to our questionnaire requested waivers during the 9-month transition period that was between October 1983 and June 1984, and only 32 requested waivers for program year 1984 to go above that limitation. States approved all but two of those.

Over 90 percent of the 544 respondents were providing some assistance to JTPA participants in the form of cash payments and/or support services during the 9-month transition period. The most commonly provided were transportation, about 85 percent; child care, 77 percent; handicap services, 57 percent; and health care, 53 percent. Over 80 percent of the service delivery area respondents were providing cash assistance to participants.

During the transition period, service delivery areas spent, on the average, about 7 percent of their IIA funds for participant support assistance and they advised us that they planned to increase this amount to about 8 percent during the current program year.

But in addition, some service delivery areas have sought additional means for providing participant support assistance. During both the transition period and program year 1984, 60 percent of the responding service delivery areas had at least one agreement with such agencies as the welfare department, rehabilitation agency, or community-based organizations to provide support assistance. We believe the continuing expansion of coordination efforts among the various agencies involved in JTPA might help ameliorate some of the problems that the Congresswoman, for example, was addressing in terms of providing some of the coordinated assistance that might help some of these participants.

In response to our questionnaire, about 450 service delivery area administrators and 80 private industry council representatives gave us their opinions on the impact of the participant support limitations. They generally believe that the limitations have caused some program changes and have affected the type of individual being served under JTPA.

JTPA participants are likely to be less economically disadvantaged than CETA participants. More than 70 percent of these officials believe that as a result of the limitations, participants were more likely to be highly motivated to actually seek employment than CETA participants because they were not getting continuing payments for being in training programs. More than half also believe that the limitations have caused them to make greater use of resources from other agencies to provide support services to the participants.

About half felt that training programs are shorter than they should be. In addition, 58 percent of the administrators indicated that because of the limitations, they could not offer certain training programs. However, only 39 percent of the private industry council representatives believe the limitations affected their ability to offer certain training programs. About half of the officials re-

sponding to our questionnaire said that the overall impact of the limitations has been negative, but a quarter of them said the limitation had a positive impact, so there is really a mixed view among the respondents.

I would just like to briefly mention two other issues. We are reviewing title III, the dislocated workers program, and under that act, States have wide latitude in implementing local projects and little information is now available to the Congress on how that program is working. We are trying to collect data to give the Congress more information on this program, and as you know, current budget proposals from the administration would significantly reduce funding for title III.

In justifying this reduction, the administration stated that sufficient unused carryover funds were available in the program from prior years. Now, we have only completed preliminary work in 10 States and those 10 States receive about 30 percent of the total funding for this title, but our work shows so far that 92 percent of the title III funds received through program year 1984 have been obligated as of March 31, 1985. So that does not tend to support the contention that there is extensive unused carryover funds, at least in those States.

I would also like to briefly mention several other efforts we have underway which we would hope would assist the subcommittee in continuing oversight of JTPA. We have undertaken a review of youth employment competency systems. We plan to look at the States' use of the 22 percent title IIA funds set aside for assistance to State education agencies, incentive grants and technical assistance to service delivery areas. We will be looking also at the characteristics of those being served under JTPA, relative to the total eligible population, and we are planning to do work in the coordination area and we would certainly look forward to working very closely with this subcommittee in these efforts.

That concludes our prepared statement.

[The prepared statement of Richard L. Fogel follows:]

**SUMMARY OF GAO TESTIMONY BEFORE THE HOUSE SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES REGARDING GAO'S WORK RELATING TO THE JOB TRAINING PARTNERSHIP ACT**

The Job Training Partnership Act, the nation's primary federally funded employment and training program, gives GAO broad oversight responsibilities for reviewing programs authorized by the act. To date, GAO has issued two reports on JTPA. One provides baseline data on how title IIA was implemented at the state and local levels. For the most part, it appeared that the implementation of JTPA had proceeded smoothly and the act's provisions had been followed. The other report presents information about a May 1984 reduction-in-force and reorganization within the Department of Labor's Employment and Training Administration. The report also presents concerns of the job training community about Labor's ability to implement JTPA.

GAO also has two studies of JTPA underway. The first compares participant characteristics to those under the Comprehensive Employment and Training Act and analyzes the support assistance provided to participants. The second studies the implementation of the act's dislocated workers program.

Information developed to date shows that (1) most service delivery areas were providing some type of support assistance (such as child care and transportation) to participants and doing so within the act's spending limits, (2) few delivery areas requested waivers to the act's limitations on support assistance, (3) JTPA serves a higher percentage of high school graduates and students and a lower percentage of



dropouts and unemployed than did CETA, and (4) in 10 states visited thus far, 92 percent of their title III funds had been obligated.

#### STATEMENT OF RICHARD L. FOGEL, DIRECTOR, HUMAN RESOURCES DIVISION

Mr. Chairman and members of the subcommittee, I am pleased to be here today to assist in your oversight of the Job Training Partnership Act (JTPA). My testimony focuses on our work involving (1) the initial implementation of the JTPA title IIA program for disadvantaged youth and adults, (2) the participant support limitations under JTPA and the participants being served, and (3) the implementation of the dislocated workers program under title III. I will also provide some information on our planned future efforts.

#### INITIAL IMPLEMENTATION OF JTPA

On March 4, 1985, we issued a report to the Congress on the initial implementation of title IIA entitled "Job Training Partnership Act: Initial Implementation of program for Disadvantaged Youth and Adults" (GAO/HRD-85-4). This report, based on data collected in early 1984, provides descriptive baseline data on the JTPA program and how it was being organized and implemented by the states nationwide and by selected service delivery areas at the local level. For the most part, it appeared that the implementation of JTPA had proceeded smoothly and the act's provisions had been followed. We noted, however, several areas that may warrant future attention.

First, a frequently mentioned concern in the employment and training community was that certain features of JTPA, such as its emphasis on performance and the limitation on funds for participant support assistance, may influence service delivery areas to select, from among eligible applicants, those persons needing only limited employment and training assistance to succeed in employment rather than those needing more extensive assistance. We did not collect data during this effort that would allow us to determine whether this practice existed. However, we noted that some service delivery areas visited used assessment methods and selection procedures that could be used to select those persons most likely to succeed while others used procedures that focused on those most in need of training. For example, one delivery area used basic skills assessment results to select participants in greatest need of remedial education. Another area used assessment results to select participants needing only limited employment and training assistance.

Second, although the act does not require it, no means of comparing program effectiveness among the various states has been established. States are not required to use a uniform method of setting performance standards for service delivery areas. As a result, the delivery areas' performance may not be comparable across state boundaries. Also a Department of Labor nationwide longitudinal survey of former JTPA participants is not designed to allow comparisons of effectiveness among the states. Thus, valid comparable data may not be available to evaluate the relative effectiveness of various program approaches.

Lastly, we noted that, although JTPA emphasizes the development of an integrated system that coordinates the services of employment, training, education, and other human service agencies, a substantial number of state JTPA agencies had not entered any new coordination agreements or arrangements with many such agencies. We recognize that our information was gathered early in the program and that such arrangements may evolve over time. If they do not, however, the integrated delivery system envisioned by the act may not be achieved.

#### REDUCTION-IN-FORCE AT THE EMPLOYMENT AND TRAINING ADMINISTRATION

We also issued a report to Senator Kennedy on April 22, 1985, entitled "Concerns Within the Job Training Community Over Labor's Ability to Implement the Job Training Partnership Act" (GAO/HRD-85-61). This report presents information about the Employment and Training Administration's May 1984 reduction-in-force and reorganization and problems that members of the job training community anticipate, including low morale, lost program expertise, and reduced efficiency. In this regard, they pointed out that the remaining staff may not have had the expertise needed to provide technical assistance. Another concern expressed was that while the states have been given primary responsibility for operating JTPA, they have not been provided adequate guidance in carrying out this responsibility. At the same time, they are now subject to close scrutiny through audits and evaluations by

Labor's Office of Inspector General, the Employment and Training Administration, and our Office.

#### PARTICIPANT CHARACTERISTICS AND ASSISTANCE PROVIDED

We were asked by the Subcommittee's former Chairman (Mr. Hawkins) and former Ranking Minority Member (Mr. Jeffords) to develop information on (1) the kind and extent of assistance (other than training) being provided to JTPA participants and (2) the differences in participant characteristics between those served by the Comprehensive Employment and Training Act (CETA) and JTPA.

We have completed our fieldwork and data analysis and are now drafting a report. In summary, we found that JTPA was serving a higher percentage of high school graduates and in-school youth and a lower percentage of dropouts and unemployed than under CETA. Furthermore, few service delivery areas requested waivers on the assistance limitations set out in the act; most areas were providing some type of support assistance to participants (such as transportation and child care) and doing so within the act's limitations.

*Participant characteristics.*—We compared the characteristics of enrollees in CETA titles IIB and C and JTPA title IIA. We were able to compare 148 of the 191 service delivery areas that had kept the same geographical boundaries and thus were not so likely to have had a change in the eligible population.

We noted some differences in the characteristics of CETA and JTPA participants. The largest differences were in the educational status of participants, the percentage of youths served, and the percentage of unemployed. Between FY80 and FY82, the percentage of high school graduates in CETA increased from 53 to 60 percent and continued to increase to 62 percent under JTPA. Between FY80 and 82, the percentage of in-school youth in CETA decreased from 18 to 12 percent but then increased to 15 percent under JTPA. The percentage of school dropouts in CETA between FY80 and 82 decreased slightly from 30 to 29 percent but they dropped significantly to 23 percent under JTPA.

The percentage of youths served under CETA had decreased from 46 to 39 percent between FY80 and FY82, but stabilized at 40 percent under JTPA. The percentage of unemployed in CETA had increased from 74 percent in FY80 to 80 percent in FY82, but dropped to 72 percent under JTPA, near the same level served under CETA in FY80.

On other characteristics, either CETA and JTPA enrollees were the same or any differences were small (a change of 2 percent or less). The chart attached to this statement provides additional details on our comparisons.

*Few waivers requested.*—Title IIA of the act sets a limit of 15 percent on service delivery areas' total expenditures for administrative costs and a combined limit of 30 percent for their administrative costs and participant support assistance. A delivery area, however, may exceed the overall limitation if the private industry council requests a waiver for support assistance based on conditions set forth in the act. Only 39 of the 544 service delivery areas responding to our questionnaire requested waivers during the 9-month transition period (October 1, 1983, to June 30, 1984), and only 32 requested waivers for program year 1984 (July 1, 1984, to June 30, 1985). States approved all but two waiver requests during each program period. These waivers were not approved because the states determined that the justification for the requests did not meet the criteria set forth in the act.

*Type and extent of support assistance.*—Over 90 percent of the 544 questionnaire respondents were providing some type of assistance to JTPA participants in the form of cash payments and/or support services during the 9-month transition period. The services most commonly provided were transportation (85 percent), child care (77 percent), handicapped services (57 percent), and health care (53 percent).

Over 80 percent of the service delivery area respondents were providing cash assistance to participants. The size of payments varied greatly among delivery areas and ranged from \$1 to \$300 per week; the median weekly payment was \$30.

During the transition period, service delivery areas spent, on an average, about 7 percent of their title IIA funds for participant support assistance. They planned to increase this amount to 8 percent during the current program year. However, actual or planned expenditures for support assistance varied substantially among delivery areas. For example, during the transition period, 35 areas did not spend any of their title IIA funds on such assistance, whereas 75 spent at least 15 percent. In comparison, during program year 1984, 42 areas did not plan to spend any title IIA funds for participant support assistance, whereas 113 planned on spending at least 15 percent.

Some service delivery areas have sought additional means for providing participant support assistance. During both the transition period year 1984, 60 percent of the responding service delivery areas had at least one agreement with such agencies as the welfare department, rehabilitation agency, or community-based organizations to provide support assistance. In addition, 25 areas reported receiving additional funds from such agencies as the state departments of social services, public welfare, employment and training, health, and education, city and county governments, and private industry. Fifty service delivery areas expected to receive such additional funds during program year 1984.

*Opinions of local JTPA officials on support assistance limitations.*—In response to our questionnaire, about 450 service delivery area administrators and 80 private industry council representatives gave us their opinions on the impact of the participant support limitations.

Service delivery area administrators and private industry council representatives generally believed that the limitations on participant support assistance have caused some program changes and have affected the type of individual being served under JTPA. About half of these officials indicated that as a result of the limitations, JTPA participants are likely to be less economically disadvantaged than CETA participants. More than 70 percent of these officials believed that as a result of the limitations, participants were likely to be more highly motivated than CETA participants. More than half also believed that the limitations have caused them to make greater use of resources from other agencies to provide support services to program participants.

Concerning the impact of the limitations on the service delivery areas' training programs, about half of the delivery area administrators and private industry council representatives generally agreed that, as a result of the limitations, training programs are shorter than they should be. In addition, about 58 percent of the administrators indicated that because of the limitations, they could not offer certain training programs. However, only 39 percent of the private industry council representatives believed the limitations affected their ability to offer certain training programs. About half of the officials responding to our questionnaire said that the overall impact of the limitations has been negative, while about a quarter of them said the limitations have had a positive impact.

#### DISLOCATED WORKERS PROGRAM

We are also reviewing the title III dislocated workers program. Under the act, states have wide latitude in implementing local projects, and little information is available on how the program is working. We are collecting data on all title III projects in order to provide the Congress with information on (1) project administration, (2) service mix, and (3) participant selection, characteristics, and outcomes.

As you know, current budget proposals from the administration would significantly reduce funding for title III. In justifying this reduction, the administration stated that sufficient unused carryover funds were available in the program from prior years. However, preliminary work in 10 states showed that about 92 percent of the title III funds received through program year 1984 had been obligated as of March 31, 1985. These states received a total of \$127 million, or 30 percent of the \$427 million in title III funds available to all states for fiscal year 1983, transition year 1984, and program year 1984.

#### OTHER JTPA STUDIES

Mr. Chairman, I would also like to mention several other efforts that we have underway or that are about to begin regarding JTPA—youth competencies, state-administered programs, program participants compared to nonparticipants, and coordination of JTPA with other employment-related services.

In the area of performance standards, we have undertaken a review of youth employment competency systems which can be used in evaluating youth training programs. Our objectives are to determine (1) the role of the states in establishing youth employment competency systems, (2) the extent to which service delivery areas are developing such systems, (3) the type of competencies being established and their effect on program performance standards, and (4) the availability of data necessary to set such standards.

We also plan to look at the states' use of the 22-percent title IIA funds set aside for (1) assistance to state education agencies, (2) incentive grants and technical assistance to the service delivery areas, (3) training and placement of older workers, and (4) state administrative activities. During this work, we also will obtain infor-

mation on the type of technical assistance states have received, the source of such assistance, and whether additional assistance is needed.

A third assignment will look at the characteristics of those being served under JTPA. As mentioned, a concern voiced often in the job training community is that JTPA may be serving those needing only limited assistance. This assignment will assess who is being served and who is not being served from the eligible population.

A fourth area in which we are planning work is coordination activities under JTPA. Our initial work indicated that coordination may not be occurring to the extent envisioned by the legislation. During this assignment we will look at state and local efforts to coordinate employment and training, education, and related human services activities and identify ways to improve coordination among programs that will result in tangible cost savings.

Mr. Chairman, this concludes my prepared statement. We would be pleased to respond to any questions.

#### COMPARISON OF SELECTED ENROLLEE CHARACTERISTICS IN 148 SERVICE DELIVERY AREAS UNDER CETA AND JTPA

Characteristic	Mean percent of enrollees		
	CETA FY 1980	CETA FY 1982	JTPA FY 1984
<b>Educational status:</b>			
High school graduate	1 53	1 60	62
Student	1 18	1 12	15
Dropout	30	1 29	23
Age 16-21: Youth	1 46	39	40
Employment: Unemployed	1 74	1 80	72
<b>Welfare recipient:</b>			
Any public assistance	29	31	33
AFDC	23	22	23
<b>Other:</b>			
Female	1 53	51	51
Nonwhite	49	1 50	48
Single parent	20	22	22
Handicapped	10	10	9
Unemployment compensation claimant	1 6	1 7	9

<sup>1</sup> Indicates a statistically significant change between the two time periods, that is, less than a 5-percent probability that the difference is due to chance.

Mr. MARTINEZ. Thank you very much, Mr. Fogel.

Mr. Cook.

Mr. Cook. Thank you for inviting me to testify. I will be brief and only summarize my printed remarks.

Since October 1983, Westat has been carrying out a process study of the implementation of the Job Training Partnership Act for the Employment and Training Administration of the Department of Labor. The observation on which my remarks are based took place in 20 randomly selected States and 40 service delivery areas within those States in the summer of 1984 at the end of the transition year and at the beginning of program year 1984.

The executive summary of the report on that observation listing the specific States and SDA's, as well as the staff involved, was submitted with this testimony.

In terms of findings at the State level, we noted the Governors were directly involved in the early implementation decisions regarding JTPA. They are now less frequently involved and rely more on their agency staff and the State Job Training Coordinating Council to oversee the program.

At the same time, the State councils are beginning to show less dependence on administrative staff and to exert more control over JTPA policy. At the service delivery level, there has been a significant increase in the role of the private industry councils. We determined that 60 percent of the PIC's had an equal or primary role in the determination program plan for program year 1984.

Private sector influence on the PIC's is felt in several ways. One is a result orientation with emphasis on placement and cost. I will refer back to this later on in terms of targeting and programs; an emphasis on efficiency and coordination with other programs and agencies; and third, a marketing of the program to private employers.

In the long run, this latter marketing effort may be the most important if it can increase the credibility of the program in the eyes of private employers.

With regard to targeting in the program, to examine this issue and selection issues, we estimated the title IIA eligible population, using the March 1984 current population survey as a basis. We also made comparable the fiscal year 1981 CETA characteristics from a continuous longitudinal manpower survey. We then compared these to the characteristics of trainees for the transition year under JTPA from the job training longitudinal survey. This latter also—data management being done by Westat.

The findings from that exercise, which are included in the summary, JTPA participants, as were CETA participants, are more disadvantaged than eligible nonparticipants. Virtually all JTPA participants are economically disadvantaged. Relatively little use is being made of the window for serving the nondisadvantaged. Ninety-four percent, precisely.

Youth comprise almost 40 percent of JTPA participants, compared to 20 percent of the eligible population. Relative to CETA, that compares and we found no evidence of selection along the lines of demographic characteristics as between those two sets. There is, however, a slightly higher proportion of high school graduates and a slightly lower proportion of public assistance recipients in JTPA.

Further, the mix of participants has been affected by institutional factors that relate to intangible characteristics such as motivation.

First, 87 percent of the SDA's in the sample have centralized intake systems and only one-fourth are doing any form of outreach. Second, in many cases, the eligibility verification and assessment process represents a screening procedure of its own. Third, the classroom training and on-the-job training have become the largest parts of the JTPA Program with their related selection procedures.

In terms of service mix during the transition year, 40 percent of the participants were engaged in classroom training; 22 percent were on-the-job training which represents an increase; 21 percent were in job search assistance; only 7 percent were in work experience; 10 percent in a miscellaneous or other category. Nationally, 69 percent of adults and 57 percent of youths entered employment upon termination at wages of \$4.77 and \$4.06 respectively, \$4.53 averaged across both groups.

In terms of performance and performance standards, essentially all States adopted the DOL performance measures. A number of States have added additional performance measures for pay year 1984, about 40 percent of the States. For the sample SDA's that we examined as a part of this study, 79 percent met the entered-employment rate standard; 89 percent met the cost-per-entered-employment standard; 71 percent met the average-wage-at-placement standard; 80 percent met the welfare-entered employment standard for adults. Among youth, 73 percent of the SDA's met the entered-employment standard; 46 percent met the positive-termination standard; and 74 percent met the cost-per-positive-termination standard.

What this means is that overall, then, the SDA's did better on entered employment and cost and less well on wages. They also did better on their adult measures than their youth measures. This appears to be at least partly due to a lack of having youth competencies in place.

The use of performance-based contracting is also increasing. It is being used by more than two-thirds of the SDAs in the sample.

With regard to the title III program for dislocated workers, title III has continued through the transition year as a centralized State program. In most States, funds are distributed on a project basis through an RFP. Only 2½ percent of the funds were allocated by formula to the service delivery areas.

The problems of slow build-up that were observed in early 1984 seem to have been corrected. By the end of the transition year, the sample States had 6 percent of their title III funds reserved for contingencies, 6½ percent in projects that have not yet begun to enroll participants, and a little over 2 percent unobligated.

Half the sample States report slow program expenditures, however. This is due to several things that we were able to observe. One is parent underreporting of expenditures, both to the State and beyond; second, the inexperience of some program operators; and third, the unwillingness of some technically dislocated workers to participate in the program, at least early on.

That is a short summary of my remarks. I would be happy to answer any questions you might have.

[The prepared statement of Robert F. Cook follows:]

**PREPARED STATEMENT OF ROBERT F. COOK, SENIOR ECONOMIST, WESTAT, INC.**

Since October 1988, Westat, Inc. has been carrying out a process study of the implementation of the Job Training Partnership Act for the Employment and Training Administration of the U.S. Department of Labor. This study covers both the Title IIA program for the economically disadvantaged as well as the Title III program for experienced workers dislocated by technological change or world competition.

Several observations have taken place. The first was of State level implementation of the program in December 1983 and January 1984 in twenty randomly selected States. A subsequent observation was made in twenty-two Service Delivery Areas (SDAs) within those States in February and March 1984. Reports covering those observations were issued in June 1984.

A second phase of observations, on which this testimony will focus, occurred in the summer of 1984 at the end of the Transition Year in twenty States and forty Service Delivery Areas within those States.

The observations on which this research is based were carried out by a network of Field Associates, mostly university professors and researchers who reside in the areas selected for study. The Executive Summary to the phase two report, submitted



with this testimony, lists the Associates as well as the specific States and Service Delivery Areas included in the study.

#### STATE FINDINGS

The first phase of the study found that Governors took an active role in the early decisions regarding the implementation of JTPA, such as the location of the program within the State bureaucracy, appointments to the State Job Training Coordinating Council, and Service Delivery Area designations. As the implementation of the program proceeded and early mandatory tasks were completed, direct involvement of the Governors has become less frequent and they have relied more on their administrative appointees and the State Job Training Coordinating Council to oversee the program.

The State Councils played a largely advisory role in the early implementation of JTPA. But, by the beginning of Program Year 1984, Councils in eight States in the sample were beginning to play policymaking and oversight roles. However, in most States, the Council remains dependent upon State administrative staff. This is partially the result of high turnover and poor attendance, particularly among the public-sector members of the Councils—a situation noted by the Associates in nearly half the States.

On balance, however, the Councils are beginning to exercise more control over the direction and content of JTPA; the challenge is to maintain interest among the Council members and provide them with enough timely information to allow them to set policy without overloading them with administrative detail.

#### SDA ORGANIZATION

There is a good bit of diversity in the organizational arrangements at the Service Delivery Area level. Among the forty Service Delivery Areas in the sample the distribution of administrative entities is as follows: A State agency in five; a multi-county agency in five; a county agency in six; a city agency in nine; the Private Industry Council in six; and various other agencies (boards of local elected officials, community colleges, nonprofit organizations, etc.) in nine.

Effective roles for the administrative entity and the Private Industry Council (PIC) depend upon separating administration from policymaking. At the outset of JTPA the administrative entities, having more experience with employment and training programs, were at a clear advantage relative to the PICs. By the end of the transition year, in most of the SDAs, the PICs and administrative entities had established cooperative working relationships.

The Service Delivery Area subcontractors under JTPA continue to be largely a subset of the old CETA subcontractors. Those who are no longer subcontractors are those that did not provide training, those that did not have good performance "track records," and those that were viewed by the PIC members as lobby groups for special interests. Also excluded were those who could not or would not operate under a performance-based contract or meet the 15 percent limit on administrative costs.

#### PRIVATE-SECTOR INVOLVEMENT

Private-sector influence in JTPA at the State level is exercised through the State Job Training Coordinating Council. Private-sector influence on the Council was characterized as strong in States where the role of the Council was judged to be primary or equal. Overall, private-sector influence is judged strong in eight States, modest in six States, and weak in six other States. Future trends in private-sector influence appear to be directly tied to the role that the State Councils play in JTPA.

There has been a significant improvement in the role of the Private Industry Councils since the beginning of the Transition Year. At the time of the earlier observation, only 27 percent of the PICs in the sample had achieved a primary role in JTPA planning. At the beginning of Program Year 1984 the PICs emerged as a primary or dominant actor in twenty-four of the forty SDAs (60 percent). The roles of the PIC and local elected officials were characterized as equal in seven SDAs. In only nine SDAs was the role of the PIC thought to be purely advisory.

Private-sector influence on PICs is felt in several ways. The private sector has typically pushed for a "business-like" orientation, by which the program brings together the customer (the potential employer) and the product (placement of a program participant). Private-sector members also emphasize efficiency and prevention of disallowed costs. "Marketing" the program is another important private-sector role. While this latter effort is just beginning, it may represent the ultimate effect

of private-sector influence if it can increase the credibility of the program among private employers.

#### TARGETING AND SELECTION

To obtain information on the targeting and selection processes in the program we estimated the eligible population using the March 1984 Current Population Survey. An estimated 23 percent of the U.S. population fourteen years old and older (or 42.3 million persons) satisfied the JTPA Title IIA economically disadvantaged eligibility criteria at some time during 1983. Estimated enrollment in JTPA during the 9-month transition year was 585,700. Therefore, at an annualized rate, JTPA could serve slightly less than 2 percent of the Title IIA eligible population.

Comparison of the characteristics of the Title IIA eligible population with the characteristics of JTPA participants from the Job Training Longitudinal Survey Quick Turnaround data indicates that males and blacks are relatively overrepresented in the participant population, while whites and older individuals are underrepresented. Youths (fourteen to twenty-one years old) are substantially overrepresented in the participant population (39.8 percent) compared to the eligible population (19.4 percent). Public assistance recipients are almost proportionally represented in the participant and eligible populations while AFDC recipients are relatively overrepresented among participants. At the same time, the proportion of high school graduates is higher for participants than for eligibles. Virtually all JTPA participants are economically disadvantaged and relatively little use is being made of the 10 percent "window" for serving nondisadvantaged individuals.

A comparison was also done between the characteristics of JTPA transition year participants and those of fiscal year 1981 CETA participants. Both JTPA and CETA participants were more disadvantaged than eligible nonparticipants, as measured by family income and unemployment experience. The proportion of long-term unemployed participants is higher under JTPA than under CETA. However, the proportion with no unemployment (not in the labor force) prior to program entry was substantially higher under CETA. The proportion of public assistance recipients was higher and the proportion of high school graduates lower among CETA participants.

Beyond self-selection, the mix of participants has also been affected by several institutional factors. First, most SDAs have centralized their intake activities. Only five SDAs in the sample allowed the actual service providers to handle intake. Further, only one-fourth of the SDAs indicated that they were doing any outreach. These efforts add to administrative costs, which are limited, but do not contribute to placements. Second, the eligibility verification and assessment used by the SDAs, in and of itself, represents a screening process for intangible characteristics such as motivation. Third, the service mix may also affect participant selection and screening. On-the-job and classroom training have become the largest parts of the JTPA program and, consequently, the related selection procedures apply to a large part of the participant population. The apparent rise in the proportion of participants with a high school degree is probably related to the increasing importance of on-the-job and classroom training in the JTPA service mix.

#### SERVICE MIX AND PROGRAM OUTCOMES

Two-fifths of all new enrollees during the nine-month transition year entered classroom training programs. Twenty-one percent of the new enrollees entered job search and 22 percent were enrolled in on-the-job training (OJT) programs. In response to restrictions on subsidized employment, only 7 percent of the participants were enrolled in work experience.

Increased emphasis on OJT has resulted from SDAs' need to establish high placement rates, develop closer ties with private business, and provide participants with support in the face of stipend restrictions. Program data from JTLS and the Process Study indicate that over 20 percent of FY84 enrollees entered OJT programs. This compares to 9 percent in CETA's first fiscal year, and 11 percent in FY77 through FY79. These proportions are slightly higher if public service employment and work experience are excluded from the CETA figures.

On-the-job training is shorter under JTPA. Findings from the Job Training Longitudinal Survey indicate the median length of stay of 11.8 weeks for trainees from OJT. JTLS data estimate a median length of training that is three weeks less than median length of stay under CETA in FY 80 as measured by the Continuous Longitudinal Manpower Survey. Both data sets exclude those with less than eight days of program participation.

A sample of OJT contracts from the process Study revealed a median length of training contracts of thirteen weeks. More than half of the contracts in the sample



of OJT contracts from the Process Study had wages below the performance wage of the SDA. These short-term low-wage contracts helped achievement of high placement rates at low cost per placement. However, they did not help the SDAs meet performance wage standards.

The sample SDAs are divided in their response to the legislative limits on support payments. Officials in almost three-quarters of the SDAs feel the stipend limits weed out those program eligibles who are more interested in collecting a stipend than learning a skill. These SDAs usually avoid payment of any type of stipend and provide need-based payments on a limited scale.

The remaining SDAs indicate the support limits are too restrictive and, in some cases, serve as barriers to enrolling youths and hard-to-serve adults. Four of these SDAs sought waivers of the 30 percent limit on nontraining costs, while others have taken steps to offset the limits.

#### YOUTH IMPLEMENTATION ISSUES

JTPA requires that 40 percent of expenditures from the Title IIA funds not subject to set-aside be devoted to serving youths under the age of twenty-two. This percentage may be adjusted by the States to reflect the youth population of the individual SDAs. An adjustment was made to the youth expenditure requirement in 73 percent of the SDAs in the sample. The range of the adjusted values that resulted is from a low of 26 percent to a high of 52 percent. In those cases where an adjustment was made, two-thirds were adjusted downward from 40 percent. In addition, SDAs may petition the State for a waiver of their youth expenditure requirement; however, only two of the SDAs in the sample requested a waiver. In both cases it was granted.

Virtually all of the Associates reported that the SDAs felt strained by the youth expenditure requirement. However, two-thirds, (63 percent) felt that they would meet it.

#### TITLE III PROGRAMMING

The development of the Title III Dislocated Worker Program as a centralized, State-run program continued through the transition year. Although four States changed their methods for organizing Title III resources during the Transition Year, the major decisionmaking roles were reserved for officials in State agencies. In most States, funds were distributed on a project basis. Only 2.5 percent of the funds were allocated by formula to the Service Delivery Areas.

The targeting of the dislocated worker program by the States during the transition year was as follows. Five States narrowed the targeting in the legislation by developing criteria that distinguished between workers who were displaced from the labor market and workers experiencing periodic spells of unemployment. Seven States did not expand or narrow the legislated targeting, but implicitly targeted through projects selected by the State. Eight States reiterated the Federal targeting guidelines.

Nineteen of the twenty sample States were subject to a matching requirement. The sources most often used to generate the match continue to be unemployment insurance benefits paid to program participants; the employer's share of OJT wages; and various in-kind contributions. Only three States appropriated a match.

The problems of slow build-up observed during winter and spring 1984 seem to have been corrected. Of the \$94 million available to the twenty States for Title III, only 6 percent was reserved for contingencies and a little over 2 percent was uncommitted as of the end of the Transition Year.

Half of the sample States report slow program expenditure rates. One reason for the apparent low expenditure appears to be underreporting of expenditures in Title III. Beyond that, the reasons program operators were unable to spend their allocation include the inexperience of some service providers in conducting intake and eligibility determination, the unwillingness of dislocated workers to participate in the program, and the numbers of new program operators.

#### PERFORMANCE STANDARDS

During the Transition Year (with one exception attributable to oversight) all sample States adopted the seven Title IIA performance measures specified by the Secretary of Labor. All sample States adopted the Secretary's seven measures for PY84. However, 40 percent of the sample States adopted additional measures. These additional measures include "significant segments" standards, job retention, net impact, job placement in new or expanding industries, and expenditure standards.

Six of the twenty sample States apparently did not use the DOL regression adjustment methodology in establishing PY84 standards. These States took the national standards rather than the model-adjusted standards as a point of departure, and often made adjustments to these national figures. These States may have done so because they did not understand the DOL adjustment methodology.

Almost 90 percent of sample SDAs met their adult cost per entered employment standard during the transition year and many SDAs substantially overperformed on this measure. However, almost 30 percent of the SDAs failed to meet their adult wage standard. Performance on the youth measures tended to be somewhat lower than on corresponding adult measures. Less than half of sample SDAs met their positive termination rate standard for youths. This is related to the lack of established youth competency systems and to transfers to summer youth programs, which did not qualify as positive terminations.

More than two-thirds of sample SDAs used performance-based contracting. The use of performance-based contracting is clearly increasing.

Few standards for Title III were specified during PY84; those that were set were almost always taken directly from Title IIA specifications.

That is a brief summary of findings. I would be pleased to answer any questions you may have.

Contract No. 99-3-0584-75-104-01

**TRANSITION YEAR IMPLEMENTATION  
OF THE JOB TRAINING  
PARTNERSHIP ACT**

Robert F. Cook  
Richard L. Beatty  
H. Allan Hunt  
Sarah F. Liebschutz  
Gretchen E. MacLachlan  
Bruce MacLachlan  
Susan A. MacManus  
Mark J. Morlock  
Kenneth T. Palmer  
Alex N. Pattakos  
V. Lane Rawlins  
Kalman Rupp  
Wayne M. Turnage  
and  
Associates

Prepared for:

Division of Research and Evaluation  
Office of Strategic Planning and Policy Development  
Employment and Training Administration  
U.S. Department of Labor  
601 D Street, N.W.  
Washington, D.C. 20213

Prepared by:

Westat, Inc.  
1650 Research Boulevard  
Rockville, Maryland 20850

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JTPA PROCESS STUDY  
FIELD ASSOCIATES

<u>Associate</u>	<u>State SDA</u>
Professor John S. Hall Arizona State University	Arizona Phoenix Gila-Pinal Counties
Professor John J. Kirlin University of Southern California	California San Francisco
Professor Mark J. Morlock California State University, Chico	Butte County
Professor Ruth Ross California State University, Long Beach	Los Angeles
Professor Peter S. Barth University of Connecticut	Connecticut Hartford Danielson-Willimantic, SDA #4
Professor Peter L. Halvorson University of Connecticut	
Professor Paul J. Andrisani Temple University	Delaware State SDA
Professor Gretchen E. Maclachan and Bruce Maclachan Clark College	Georgia Atlanta Northeast Georgia, SDA #4
Professor Charles J. Orlebeke University of Illinois at Chicago	Illinois Northwest Municipal Conference Consortium, SDA Region 8
Professor E. Allan Tomey Saint Louis University	West Central Illinois Valley, SDA Region 21
Professor Duane Sorenson Indiana State University	Danville Area, Vermillion County

Professor Charles E. Krider  
University of Kansas

Professor Phillip W. Roeder  
University of Kentucky

Professor Kenneth T. Palmer  
University of Maine

Professor Alex N. Pattakos  
University of Maine

Dr. H. Allan Hunt  
W.E. Upjohn Institute  
for Employment Research

Professor George D. Wendel  
St. Louis University

Professor E. Allan Tomey  
St. Louis University

Mr. David M. Snedeker  
Snedeker Scientific

Professor Carl D. Ekstrom  
State University of New York  
at Brockport

Professor Sarah F. Liebschutz  
State University of New York  
at Brockport

Professor Lawrence A. Wohl  
Gustavus Adolphus College

Kansas  
Johnson, Leavenworth and  
Wyandotte Counties,  
SDA #3  
Atchison-Washington  
Counties, SDA #2

Kentucky  
Bluegrass, SDA #1  
North Central,  
SDA Area A

Maine  
State SDA

Michigan  
Grand Rapids Area  
Employment and Training  
Council II  
Muskegon and Oceana  
Counties

Missouri  
City of St. Louis,  
SDA #6  
Columbia - Jefferson  
Counties, SDA #5

Montana  
Balance of Montana

New York  
City of Rochester  
Clinton-Hamilton  
Counties

North Dakota  
Fargo Region

Professor R. Lynn Rittenoure  
University of Tulsa

Professor Steve B. Steib  
University of Tulsa

Professor Frank P. Corcione  
University of Scranton

Professor Thomas N. Daymont  
Temple University

Professor John E. Gnuschke  
Memphis State University

Professor Lewis H. Smith  
University of Mississippi

Professor Susan A. MacManus  
Cleveland State University

Professor Robert M. Stein  
Rice University

Professor Robert D. Wrinkle  
Pan American University

Professor David R. Knowles  
Seattle University

Professor V. Lane Rawlins  
Washington State University

Professor Gregory C. Weeks  
The Evergreen State College

Mr. Andrew Cohn  
Public-Private Research Associates

Oklahoma  
Tulsa  
Job Training Northeast

Pennsylvania  
Lackawanna County  
Lehigh Valley PIC  
  
Philadelphia

Tennessee  
Fayette, Shelby Counties  
SDA #14  
Benton-Weakley Counties,  
SDA #12  
Mid-Cumberland Council  
of Governments, SDA #8

Texas  
Balance of Harris County

Cameron County

Washington  
Taccaz-Pierce County  
Consortium

Pacific Mountain  
Consortium, SDA #2

Wisconsin  
Milwaukee County,  
SDA #18  
Western Wisconsin,  
SDA #16

## EXECUTIVE SUMMARY

The observation of the implementation of the Job Training Partnership Act (JTPA) on which this report is based covers twenty randomly selected States, stratified by region and size as measured by transition year 1984 (TY84) Title IIA and III allocations. It also covers an observation of forty Service Delivery Areas (SDAs) within the twenty States. The SDAs were selected, to the extent possible, to be representative by region and size as measured by TY84 Title IIA allocations. The stratification is not exactly proportional due to the presence of single-SDA States in the sample, and the results should not be taken as proportionally representative of the universe of SDAs. Table 1-3 in Chapter 1 shows the sample SDAs by region of the country and size category. It also indicates the States in the sample.

This observation took place, using a network of Field Associates and common reporting forms for the States and SDAs, from June through August 1984. Therefore, the observation covers the implementation of the program during the transition year as well as early plans for program year 1984 (PY84). This round of the research also covers State and SDA activities under Title IIA as well as the dislocated worker programs under Title III of JTPA.



This report is the outcome of the second phase of a two-year study of the implementation of JTPA. An earlier round of research -- which included an observation in the States in January 1984 and an observation in SDAs in February and March 1984 -- has been the subject of earlier reports from this project.

Following are the major findings from this second round of observations.

### State Findings

The earlier research found that Governors took an active role in the early decisions regarding the implementation of JTPA, such as the location of the program within the State bureaucracy, appointments to the State Job Training Coordinating Council (SJTCC), and SDA designations. As the implementation of the program proceeded and early mandatory tasks were completed, direct involvement of the Governors has become less frequent and they have relied more on their administrative appointees and the State Council to run the program. In most cases, the predominant concerns of Governors have continued to be that the program (1) not turn into a "bad CETA program" and (2) serve politically important groups and be consistent with the programmatic priorities of the Governor. Consistent with this, the Governors have, for the most part, retained discretionary

control over the set-aside funds under Title IIA and the allocation of the funds under Title III.

State Councils played a largely advisory role in the early implementation of JTPA. But, by the beginning of FY84, Councils in eight States in the sample were beginning to play policymaking and oversight roles. However, in most States, the Council remains dependent upon State administrative staff. This is partially the result of high turnover and poor attendance, particularly among the public-sector members of the Councils -- a situation noted by the Associates in nearly half the States. Another reason is that some original private-sector members are being replaced with lower level executives who then must invest the time to learn about the program. When the Councils do exercise their authority, their recommendations are rarely overturned by the Governors.

On balance, the Councils are beginning to exercise more control over the direction and content of JTPA; the challenge is to maintain interest among the Council members and provide them with enough timely information to allow them to set policy without overloading them with administrative detail.

The Employment Service (ES) has been more a service provider than a major actor in JTPA. During the transition

Year, it was the administrative entity in three rural States. There were some relatively minor changes in Employment Service-JTPA cooperation. These resulted from mergers or SDAs' use of Wagner-Peyser Section 7(b) funds to "buy" cooperation by supporting local Employment Service staff who otherwise might have been cut.

The earlier report indicated that the States attempted, not entirely successfully, to rationalize the boundaries of the SDAs. During the transition year, seven States altered the boundaries of areas served by agencies such as the Employment Service or economic development districts to conform to SDA boundaries.

With regard to the use of set-aside funds, most State activity was concentrated on the 6 percent incentive grants and the 8 percent vocational education funds. Few States changed the older worker or administrative set-aside arrangements. While fewer than one-fourth of the States used any of the 6 percent money for incentive grants during the transition year, eighteen of the twenty States in the sample will make incentive grants in FY84 based on SDA performance during the transition year. Further, as the result of interest group pressure, States are placing more emphasis on targeting services to hard-to-serve groups and on imposing service requirements that, in essence, are additional performance requirements.

Nine of the twenty States changed the arrangements surrounding the 8 percent vocational education set-aside. In three of the States, the changes increased the involvement of the SDAs in the administration of these funds.

#### State-SDA Relations

In the early stages of program implementation during calendar year 1983, the States seemed to fall into three main groups in terms of State-SDA relations.

- o In the first group, the Governor regarded JTPA as an opportunity to reform the entire employment and training system. In these cases, the Governor tended to centralize the job training function, either in his or her office or in a single cabinet department. At the same time, that effort usually led to significant decentralizing of authority to the SDAs and their PICs.
- o In a second group of States, the Governors were also actively involved in implementing the JTPA program, but for somewhat different reasons. Here the Governor was less concerned with building an administrative partnership than with attaining specific political or policy goals that required a substantial centralization of authority at the State level.
- o In a third group of States, the Governors tended not to be actively involved in early implementation of JTPA. Here the arrangements that had prevailed under CETA and the balance between State agency and local responsibilities remained largely unchanged.

There now appears to be a "settling in" of the JTPA program. Some States with centralized operations during the

early transition period are allowing SDAs to have more discretion. Other States, however, that were less centralized at the outset, have assumed more responsibility. There was less diversity among the States in their modes of operation in the summer of 1984 than existed at the beginning of the program.

Some areas of conflict between the States and SDAs during the transition year have been identified. One, related to the liability issue, is provision of regulations, guidance, and definitions. At one extreme, some States have left the SDAs to themselves and have been slow to respond to questions in order to avoid assuming liability for any decisions that are later erroneous. This has fostered SDA associations and other pressure on the State. At the other extreme, some States have actively set definitions, issued regulations, and so on. SDAs in these States complain that the State is taking away their autonomy.

Another area of conflict is management information systems. Some States have attempted to establish a system that tracks each participant through the program. The SDAs see this as burdensome; because data are sometimes entered by the staff of the subcontractors who are not technically skilled, this requirement also may lead to problems of inaccuracy. In other cases, the system is so expensive that, particularly in some rural areas, only the basics are put in place--enough to keep the State from getting into trouble, but not enough to give SDA

officials a good understanding of the operation of their programs. Also, in some States the systems are voluntary and not all SDAs participate, either because it is too expensive or because they believe that their system is better than the State's.

A final source of problems concerns the separation of participant and financial data. The SDAs feel burdened by the two systems and the states feel they are not getting the information that they need, for example, to monitor the 40 percent youth expenditure requirement.

#### SDA Organisation and Politics

Organisational arrangements for the grant recipient and administrative entities vary widely among the sample SDAs. A summary of these arrangements is as follows:

- o A State agency is the grant recipient and administrative entity in five SDAs. Four of these SDAs comprise an entire State or a major portion of one.
- o The grant recipient and administrative entity is some form of multicounty agency in five States. The agency might be a development agency, a council of governments, or a cooperative education agency. The number of counties covered ranges from two to fifteen and are all rural.
- o A county agency is the grant recipient in seven SDAs and the administrative entity in six. One is a balance-of-county SDA, two are counties that include large cities, and two are multicounty SDAs in which one county takes the lead.



- o A city agency is the grant recipient in eight SDAs and the administrative entity in nine. Most of these are previous CETA prime sponsors. In one, the SDA includes the county surrounding the city as well as an adjacent rural county.
- o The Private Industry Council (PIC) is the grant recipient in seven SDAs and the administrative entity in six. These are the only cases in which the PIC itself administers the program and operates at least part of it.
- o Some agency other than those identified above is the grant recipient in eight SDAs and the administrative entity in nine. These include local elected official (LEO) boards, PIC/LEO boards, community colleges, a city/county employment and training office, a Community Action Agency, a chamber of commerce, and a six-county consortium.

The PICs in the sample SDAs ranged in size from thirteen to forty-three members with a median size of twenty-three members. Often the size of the PIC was increased by including elected officials in multi-jurisdictional SDAs.

Effective roles for the administrative entity and the PIC depend upon separating administration from policymaking. At the outset of JTPA the administrative entities, having more experience with employment and training programs, were at a clear advantage relative to the PICs. This led to some strained relations when the administrative entity was involved in policymaking. The experience of the transition year has changed

this. By the end of the transition year, in most of the SDAs, the PICs and administrative entities had established cooperative working relationships. The PICs deal with policy and stay out of day-to-day administration, and the administrative entities run the program and leave policy setting to the PICs. However, in nearly one-quarter of the SDAs, this is a continuing problem and in at least three SDAs, the staff of the administrative entity actually set policy.

On balance, PIC-staff relations were good. In nearly half of the SDAs in the sample, either the PIC or the PIC in combination with the local elected officials served as the administrative entity, or the PIC had its own staff. In other cases, the staff are employees of the local government or a multijurisdictional agency that responds to a council of governments, or the local elected officials sit as members of the PIC. It is in these latter SDAs that tensions are likely to arise between the PIC and the staff, where the PIC is demanding its own staff or where the local elected official is primary to the PIC. In jurisdictions with multiple local elected officials, the primary concern of the officials is "dividing up the money." In jurisdictions with a single strong local elected official there may be disagreements with the PIC over, for example, designating general assistance recipients as a target group for the program.

As in the earlier observation on SDA implementation, the subcontractors under JTPA continue to be largely a subset of the old CETA subcontractors. Those who are no longer subcontractors are those that did not provide training, those that did not have good performance "track records," and those that were viewed by the PIC members as lobby groups for special interests or who tried to use political pressure to maintain their subcontractor status. Also excluded were those who could not or would not operate under a performance-based contract or meet the 15 percent limit on administrative costs. These factors seem to have eliminated subcontractors for whom there might have been a concern over liability for ineligible participants, so that liability is no longer an issue in subcontractor selection.

Relations between the SDAs and the Employment Service remain highly variable, although there is a good probability of long-run improved relations. In sixteen of the forty SDAs, the relationship was characterized as positive as evidenced by coordination, cooperative planning, or services provided by the Employment Service. Fourteen SDAs had a relationship characterized as negative, as evidenced by either an absolute minimum of cooperation or open conflict. In the remaining ten SDAs, the relationship was mixed, with some areas of cooperation and others in which conflict occurred. In the area of PIC

involvement in the review and approval of the local Employment Service plan, the results were not mixed. In thirty-three of the forty SDAs, PIC input into the Employment Service plan was judged to have been minimal. In only two SDAs was there extensive involvement in the preparation of the Employment Service plan, and the involvement in one was acrimonious.

#### Private-Sector Involvement

Private-sector influence in JTPA at the State level is exercised through the State Job Training Coordinating Council. The role of the SJTCC in JTPA relative to the role of the Governor continues to vary among the twenty sample States. In four States the Council was the primary influence on planning for JTPA. Seven States were found to have a Council whose role was equal with that of the Governor. In the nine remaining States, Associates report that the Council was purely advisory to the Governor.

Private-sector influence on the Council was characterized as strong in States where the role of the Council was judged to be primary or equal. Overall, private-sector influence is strong in eight States, modest in six States, and weak in six other States. Future trends in private-sector influence appear to be directly tied to the role that the State Councils play in JTPA.

State emphasis on a link between JTPA and economic development is seemingly more rhetorical than real. In only a few States could a strong link between economic development goals and JTPA programs be found.

There has been a significant turnaround in the PIC role since the beginning of TY84. At the time of the earlier report, only 27 percent of the PICs in the sample had achieved a primary role in JTPA planning. The current findings indicate that the PIC has emerged as a primary or dominant actor in twenty-four of the forty SDAs (60 percent). The roles of the PIC and local elected officials were characterized as equal in seven SDAs. In only nine SDAs was the role of the PIC thought to be purely advisory. In the twenty-nine PICs where PIC members' previous experience in CETA could be determined, 41 percent had been involved in CETA's Title VII program. This experience might be the key factor in the PICs' emergence in JTPA planning and program operation.

Only two of the nine PICs that were purely advisory at the time of the earlier observation are still in that category. Among the six PICs that were advisory but moving toward equal status, only one is still advisory. In SDAs where this positive movement was not observed, the primary reason seems to be

unwillingness of local elected officials or other controlling authorities to share power.

Private-sector influence in PICs is felt in several ways. As Congress hoped, the private sector has typically pushed for a "business-like" orientation, by which the training program brings together the customer (the potential employer) and the product (a placement). The previous program was perceived as emphasizing the needs of the participant.

Private-sector members also emphasize efficiency and prevention of disallowed costs. The emphasis on efficiency seems related to more cooperation and less respect for bureaucratic rules and "turf." It also leads to sharing responsibility for the program with local elected officials; this may reduce political influences, such as the pressure of certain groups or agencies, and improve contractor selection.

"Marketing" the program is another important private-sector role. While these efforts are just beginning, they may represent the ultimate effect of private-sector influence if they can increase the credibility of the program among private employers.



### Targeting and Selection Processes

JTPA provides more latitude in setting criteria and choosing participants than any other Federal training program of the last two decades. It gives the States wide discretion, and most States pass this discretion on to the SDAs.

An estimated 23 percent of the U.S. population fourteen years old and older (or 42.3 million persons) satisfied the JTPA Title IIA economically disadvantaged eligibility criteria at some time during 1983. Estimated enrollment in JTPA during the 9-month transition period was 385,700. Therefore, at an annualized rate, JTPA could serve 1.85 percent of the Title IIA eligible population. It should be noted, however, that the eligible population is the technically eligible population, not the population in need or those who would apply for participation in JTPA.

Comparison of the characteristics of the Title IIA eligible population, as estimated from the March 1984 Current Population Survey, with the characteristics of JTPA participants from the Job Training Longitudinal Survey (JTLS) Quick Turnaround (QT) data yields the following information. Males and blacks are relatively overrepresented in the participant population, while whites and older individuals are underrepresented. Youths (fourteen to twenty-one years old) are substantially overrepresented in the participant population

(39.8 percent) compared to the eligible population (19.4 percent). Public assistance recipients are almost proportionally represented in the participant and eligible populations while AFDC recipients are relatively overrepresented among participants. At the same time, the proportion of high school graduates is higher for participants than for eligibles.

A comparison was also done between the characteristics of JTPA transition year participants and those of fiscal year 1981 CETA participants. Both JTPA and CETA participants were more disadvantaged than eligible nonparticipants, as measured by family income and unemployment experience. The proportion of long-term unemployed participants is higher under JTPA than under CETA. However, the proportion with no unemployment (not in the labor force) prior to program entry was substantially higher under CETA. The proportion of public assistance recipients was higher and the proportion of high school graduates lower among CETA participants.

Sixty-five percent of the States in the sample augmented the target group provisions stated in the law. One-fifth added a requirement that the SDAs serve certain significant segments of the population. On average, the States specified 2.6 groups, most often AFDC recipients, youths, minorities, and outcasts, and general assistance recipients.

Service Delivery Areas were more likely to add significant segments requirements or additional target groups than were the States. Only three SDAs did no targeting beyond

the groups specified in the legislation. Eleven SDAs added significant segments requirements. On average, SDAs targeted 3.5 specific groups, most often AFDC recipients, youths, handicapped individuals, dropouts, minorities, or older workers. SDAs target more groups, in part, because any State targeting is reflected locally, and because SDA officials are more accessible to interest groups that lobby for inclusion of particular groups.

The prevalence of targeting on dropouts, older workers, and the handicapped is of interest because it is often more difficult to get good placement rates for these groups. Despite this, the SDAs are specifying these groups, rather than the States, even though it is the SDAs that are subject to the performance standards.

Most SDAs have centralized their intake activities. Only five SDAs in the sample allowed the actual service providers to handle intake, a practice that was typical under CETA. The tendency toward central intake appears to be related to concern over liability for admitting people who turn out to be ineligible. Further, only one-fourth of the SDAs indicated that they were doing any outreach. These efforts add to administrative costs, which are limited, but do not contribute to placements.

The eligibility verification and assessment used by the SDAs, in and of itself, represents a screening process for

intangible characteristics such as motivation. Often, an applicant (typically a walk-in) must assemble and produce a substantial amount of information to verify eligibility. Further, the assessment process may involve several interviews and testing sessions. This becomes a screening process or "funnel" that has its own set of selection effects.

The service mix may also affect participant selection and screening. OJT and classroom training have become the largest parts of the JTPA program and, consequently, the related selection procedures apply to a larger part of the participant population. In typical OJT programs, several participants are referred to the employer who selects the person to be trained. Further, providers of classroom training have entry requirements such as a certain level of reading and math ability, a high school degree or GED, or a drivers' license. The apparent rise in the proportion of participants with a high school degree is probably related to the increasing importance of OJT and classroom training in the JTPA service mix.

Virtually all JTPA participants are economically disadvantaged and relatively little use is being made of the 10 percent "window" for serving nondisadvantaged individuals. Beyond this, the Associates were asked to assess the extent to which SDAs were concentrating on one or the other of three categories of participants: (1) those ready to enter unsubsidized jobs at the time of application to JTPA, (2) those who would benefit most from the training provided by the

program, and (3) those most in need of extensive training and supportive services to become employable.

Half of the SDAs in the sample indicated that they were concentrating on those most likely to directly benefit from the training and find a job afterward. Six SDAs appeared to be selecting the most job-ready among the eligible participants. These jurisdictions relied heavily on OJT as a service strategy and focused on job placement as a major goal.

In eight SDAs, the Associates reported concentrated attempt to serve the most needy in the eligible population. However, even this is a matter of definition; in some jurisdictions the program operators indicated that among the most needy "the most placeable were preferred."

Minor exceptions occurred. One jurisdiction's strategy was to select individuals who were not job ready and make them employable. Two other SDAs indicated that they planned to provide training for the target groups that they had selected for service. Finally, two SDAs indicated that they would provide service "to anyone who walks in the door."

An interesting, but not new, variant of targeting is to use diverse entry criteria differing by the type of training offered and purposely structure the program to serve more than one group. Several SDAs clearly recognized the differences

among the job ready, those who would benefit the most from training, and the most needy among the eligible population and tailored different types of training to these groups. In addition, a number of the SDAs indicated that while, in general, they attempted to serve one group or another, they also ran smaller programs for the most needy in the population.

There were always special programs for the hard to employ under CETA, so this kind of programming is not new; however, it appears to be a more conscious strategy under JTPA due in part to the need to meet the required performance standards and in part to the greater ability to tailor programs to local needs and mesh JTPA with other activities.

There are two main strategies for running special programs. The first may be described as a "weighted average" approach. Part of the programming is designed to provide the more job-ready participants with short, low-cost service and place them in unsubsidized employment. This approach not only provides needed services to the job-ready but also allows the SDA to meet the performance standards. It thus allows them to provide programs for the "riskier" individuals -- those who require more intensive service or have less chance of being placed -- and still satisfy the entered employment and cost per placement standards. For example, if 53 percent of participants who are job-ready are put in OJT, an activity with an average 80 percent placement rate, and 47 percent of the most needy are put



in a remedial education program with a 28 percent placement rate, the weighted average placement rate for both program components is 55 percent -- the national placement standard for adults.

The second approach, which appears to be more prevalent, provides generally smaller programs for the most needy in the eligible population. The bulk of the program is operated for those most likely to benefit from training. If performance standards are to be met, only a relatively small amount of resources is left over for an expensive and intensive program for those in need of training or remedial education. Often these special programs are targeted, as noted above, to those with especially severe barriers to employment such as dropouts, the handicapped, offenders, displaced homemakers, and older workers.

These programs have the advantage of meeting the performance standards set by the Federal Department of Labor, the State, and the PIC and still providing some service to the most disadvantaged. They may be important, especially where interest groups for disadvantaged persons are involved in program decisions. This type of programming is also advantageous to SDAs because it often is at least partially supported by 6 percent (for hard to serve groups) or 3 percent set-aside money, which does not come under the performance standards. However, enrollees are served under Title IIA and can be included in the enrollee and terminee characteristics report.

### Service Mix and Program Outcomes

Complete enrollment and termination data by program activity for the transition year were available in only nineteen of the forty SDAs. The remaining twenty-one SDAs reported either a complete absence of summary program data (seventeen SDAs), or incomplete data for many categories of service mix (four SDAs). State requirements that SDAs report termination, characteristics, and cost data for youths, adults, and welfare recipients was the major reason that SDAs did not summarize data by program activity from individual participant files. Many of the findings in this report related to service mix and program outcomes for the transition year are reported from the Job Training Longitudinal Survey (JTLS).

Total JTPA enrollments during the nine-month TY84 period were 585,700. Two-fifths of all new enrollees during this period entered classroom training programs. Twenty-one percent of the new enrollees entered job search and 22 percent were enrolled in OJT programs. In response to restrictions on subsidized employment, only 7 percent of the participants were enrolled in work experience.

The overall entered employment rates for both youth and adults were well above the national performance standards (57 and 69 percent, respectively). However, adult terminees from classroom training and youth terminees from work experience did not meet the overall national standard (47 and 34 percent, respectively).

Program operators were unsuccessful in placing adult participants in jobs with wage levels equal to or greater than the national wage standard of \$4.90. For adult trainees from programs other than OJT and classroom training, the average termination wage fell short of the national standard by at least twenty cents. Moreover, the average placement wage for trainees from OJT was slightly lower than the average wage of trainees from classroom skills training programs.

Increased emphasis on OJT has resulted from SDAs' need to establish high placement rates, develop closer ties with private business, and provide participants with support in the face of stipend restrictions. Program data from JTLS and the Process Study indicate that over 20 percent of FY84 enrollees entered OJT programs. This compares to 9 percent in CETA's first fiscal year, and 11 percent in FY77 through FY79.

The majority of OJT contracts were negotiated with small businesses. They were generated through the use of in-house job developers or by OJT subcontractors.

A sample of OJT contracts from the process study reveals a median length of training contracts of thirteen weeks. JTLS findings estimate a median actual length of stay of

11.8 weeks for trainees from OJT. Truncated JTLS data (excluding those with less than eight days in the program) estimates a median actual length of training that is as much as three weeks less than median length of stay under CETA in FY80 as measured by the Continuous Longitudinal Manpower Survey (CLMS).

More than half of the contracts in the sample of OJT contracts from the Process Study had wages below the performance wage of the SDA. These short-term low-wage contracts helped achievement of placement rates at low costs per placement. However, they did not help the SDAs meet performance wage standards.

The sample SDAs are divided in their response to the legislative limits on support payments. Officials in almost three-quarters of the SDAs feel the stipend limits weed out those program eligibles who are more interested in collecting a stipend than learning a skill. These SDAs usually avoid payment of any type of stipend and provide need-based payments on a limited scale.

The remaining SDAs indicate the support limits are too restrictive and, in some cases, serve as barriers to enrolling youths and hard-to-serve adults. Four of these SDAs have sought waivers of the 30 percent limit on nontraining costs, while others have taken steps to offset the limits.

### Youth Implementation Issues

JTPA requires that 40 percent of expenditures from the Title IIA funds not subject to set-aside be devoted to serving youths under the age of twenty-two. This percentage may be adjusted by the States to reflect the youth population of the individual SDAs. An adjustment was made to the youth expenditure requirement in 73 percent of the SDAs in the sample. The range of the adjusted values that resulted is from a low of 26 percent to a high of 52 percent. In those cases where an adjustment was made, two-thirds were adjusted downward from 40 percent. In addition, SDAs may petition the State for a waiver of their youth expenditure requirement; however, only two of the SDAs in the sample requested a waiver. In both cases it was granted.

Virtually all of the Associates reported that the SDAs felt strained by the youth expenditure requirement. A little less than two-thirds, (63 percent) felt that they would meet it, however.

The following factors help explain why an SDA did or did not meet the youth expenditure requirement:

- o Some SDAs (and some States) did not take the requirement seriously. Two Associates

indicated that their SDAs did not meet the requirement because they didn't try, believing that there would be no penalty.

- o Several SDAs had problems with subcontractors in cases where performance-based contracting was used. In some cases, subcontractors would not undertake a performance-based contract to serve youths. In others, subcontractors could not recruit enough youths to meet the requirement.
- o Special recruiting or administrative procedures for youths helped SDAs meet the youth requirement.
- o Ninety percent of the SDAs that established large programs specifically for youths met the requirement while 88 percent of those that had little or no special youth programming did not. Some SDAs did not establish special youth programs because of a conflict with other SDA priorities (such as emphasis on OJT) or the limits on expenditures for work experience and supportive services.

Almost 80 percent of the States in the sample anticipated problems with meeting all the youth performance measures, particularly the positive termination rate and cost per positive termination. Several of the State reports cited the lack of established youth competencies as the main reason for their State's failure to meet either the positive termination standard or the cost per positive termination standard for youths.

Title III Programming

The development of Title III as a centralized, State-run program continued through the transition year. Although four States changed their methods for organizing Title III resources during TY84, the major decisionmaking roles were reserved for officials in State agencies.

The allocation arrangements for the transition year were as follows:

- o Funds were distributed on a RFP/project basis in five States.
- o Specific geographic areas or plants were targeted and funds were allocated on a RFP/project basis in six States.
- o Funds were distributed to State agencies and private operators for the purpose of operating a Statewide program in seven States.
- o Predetermined allocations were distributed to units of local government on a project basis in one State.
- o Seventy-five percent of the Title III allocation was formula funded to the SDAs and 25 percent was distributed on a RFP basis in one State.



The targeting of the dislocated worker program by the states during the transition year was as follows:

- o Five States narrowed the targeting in the legislation by developing criteria that distinguished between workers who were displaced from the labor market and workers experiencing periodic spells of unemployment.
- o Seven States did not expand or narrow the legislated targeting, but implicitly targeted through projects selected by the State.
- o Eight States did not develop a strategy for serving priority groups of dislocated workers, choosing instead to reiterate Federal targeting guidelines.

Nineteen of the twenty sample States were subject to a matching requirement. The sources most often used to generate the match continue to be unemployment insurance benefits paid to program participants; the employer's share of OJT wages; and various in-kind contributions. Only three States provided any real match.

The problems of slow build-up observed during winter and spring 1984 have been corrected. Of the \$94 million available to the twenty States for Title III:

2.5 percent has been allocated by formula directly to selected SDAs;

16.7 percent is earmarked for projects within SDAs funded through a State RFP;

6.5 percent has been committed to projects that had not begun to enroll participants as of August 1984;

55.8 percent has been committed to projects that had begun enrolling participants;

10.4 percent was committed to projects that have completed operations;

5.9 percent is being reserved for contingency funding by the States; and

only 2.3 percent had not yet been committed.

A number of States eliminated their build-up problems by distributing program funds to existing employment and training agencies, such as local Employment Service offices, and by refunding Title III projects organized in FY83. Other States indicated that early build-up problems were merely a function of the newness of the program.

Half of the sample States report slow program expenditure rates. One reason for the apparent low expenditure appears to be underreporting of expenditures in Title III. Beyond that, the reasons program operators were unable to spend their allocation include the lack of experience of some service providers in conducting intake and eligibility determination, the unwillingness of dislocated workers to participate in the program, and the numbers of new program operators.

Title III service strategies are varied. Some operators focus on employment development activities such as job search. Other providers are developing programs designed to retrain Title III participants, such as OJT and occupational skills training.

The number of SDAs receiving Title III funding in TY84 remains small. Fourteen of the forty SDAs operate a combined total of twenty-three projects. Sixteen of these projects have projected enrollments of fewer than 200 participants. The level of communication and coordination remains low between the SDA-administered JTPA programs and the Title III programs operated by private, State, and local agencies outside of the SDA delivery system. SDAs that operate both Title IIA and Title III programs typically treat the dislocated worker program as a supplement to their better-funded Title IIA programs.

#### Performance Standards

During the transition year (with one exception attributable to oversight) all sample States adopted all of the seven Title IIA performance measures specified by the Secretary of Labor. A small number (three States) experimented with additional measures not included in the Secretary's list. Only one of these States retained the additional measures in PY84.

All sample States adopted the Secretary's seven measures for PY84. However, 40 percent of the sample States adopted additional measures. These additional measures include

"significant segments" standards, job retention, net impact, job placement in new or expanding industries, and expenditure standards.

Six of the twenty sample States apparently did not use the Department of Labor regression adjustment methodology in establishing FY84 standards. These States took the national standards rather than the model-adjusted standards as a point of departure, and often made adjustments to these national figures. These States may have done so because they inadequately understood the Department of Labor adjustment methodology, rather than because this methodology was inadequate.

Most States developed or are in the process of developing a summary Title IIA "performance index" or some other rules, such as those specifying that the SDA must meet a certain number of standards in order to qualify for incentive grants. Some States decided to weight incentive awards by the size of an SDA's Title IIA allocations. However, most apparently do not plan to weight 6 percent incentive awards by SDA size.

During the transition year the overwhelming majority of sample SDAs (90 percent) did not add to or modify the Title IIA

standards specified by the State. The small number of SDAs reporting modifications tended to set numerical values stricter than the standards received from the States.

Almost 90 percent of sample SDAs met their adult cost per entered employment standard during the transition year; many SDAs substantially overperformed on this measure. However, almost 30 percent of the SDAs failed to meet their adult wage standard. Performance on the youth measures tended to be somewhat lower than on corresponding adult measures. Less than half of sample SDAs met their positive termination rate standard for youths. This is related to the lack of established youth competency systems and to transfers to summer youth programs, which did not qualify as positive terminations.

More than two-thirds of sample SDAs used performance-based contracting. Performance-based contracting is clearly increasing.

Few standards for Title III were specified during FY84; those that were set were almost always taken directly from Title IIA specifications. Only four of the twenty States had not implemented any performance standards for Title III by the summer of 1986. In two States, standards had not yet been established, while in the other two, the standards established had not been implemented. Sixteen States established FY84 entered employment rate standards for Title III. Most of these set standards at or only slightly above the 55 percent entered employment rate set for Title IIA.

Mr. MARTINEZ. Before I start asking any questions, I would like to take an opportunity to introduce our member who has just joined us, Charlie Hayes from Illinois. Thank you for joining us.

From the study that you have made, can you give me, in more layman terms, your evaluation of the program overall and any areas and States that you feel need direction or assistance?

Mr. Cook. Overall? To summarize some of what I said, the placement rate in this program is currently running slightly under double what it was under the last years of CETA. As I said, we haven't been able to find any real difference in the characteristics distributions between the two groups. We do find some selection processes operating in the kinds of programs being run and the way that people are being brought into them.

The private-sector involvement seems to be active. It seems to be promoting some coordination, and as I mentioned, I think fairly importantly, that it is actively selling the program to private employers and the product of that program, as they refer to it, which is the placement. That is something that I think CETA never had.

In terms of areas of interest, the comment was made about the title III funding and what is obligated and what is not obligated. I think that is an area that stands investigation. In terms of youth issues, we figure that about 20 percent of the eligible population is youth. It is currently running about 40 percent of enrollments. Most of the SDA's indicate that youth enrollments are a problem. They are having difficulty with the youth expenditure requirement. Sixty-three percent of the SDA's that we dealt with felt that they would meet it so that might be another area of concern.

In terms of the stipends and that particular issue, about three-quarters of the SDA's in our sample indicated that was not a problem and, furthermore, they felt that stipends attracted people who were interested in the cash and not in the training. The other one-fourth felt that it was a very serious problem and some of them had applied for waivers from the State of the 30-percent limit. The others were looking to other sources of support to make up that deficit.

In terms of the other statement that was made in terms of AFDC, I really don't find any difference in proportion of AFDC recipients between CETA and JTPA.

Mr. MARTINEZ. Mr. Fogel, I would like to ask you the same questions.

Mr. FOGEL. I think we would generally agree. We didn't find anything when we looked at the initial implementation that gave us great concern. There was a lot of mixed response. I think one of the things, though, that does concern us some is the question of standards, performance standards. We happen to believe the performance standards are a good idea. We do think they need to be looked at some. We are somewhat concerned that you just can't claim a success if someone gets a job for 1 day and that is why the longitudinal effort that the Labor has under way—is going to try to get under way—is so important in looking at the extent to which this program is operating effectively.

I think another thing we would like to see more encouragement in is the coordination between JTPA and the other State and local

agencies. Now, I don't find it surprising that we haven't gotten off in this program perhaps to the most positive start in that regard.

GAO, over the last 2½ years, has done some very extensive studies of how all the block grants that were implemented as a result of the 1981 Omnibus Budget and Reconciliation Act were being implemented across the country. Generally, what we found is that in those types of programs, mainly in health block grants where there was a good existing State and local infrastructure for dealing with these programs, the transition to a block grant was much easier.

In JTPA, there has been a change. You now have State agencies that are going to—that are having to take more responsibility for directing these programs. They didn't have, let's say, comparable—they didn't have organizations at the State level that were comparable to the health organizations, so we would expect that there would be some initial startup problems. But we think the coordination issue is an important one to make sure that we get the linkages.

I don't know if Mr. Gianni has any other specific observations there.

Mr. GIANNI. Basically the coordination issue got off to a slow start, as Mr. Fogel said, and as the States work toward this effort, we anticipate that more accomplishments will be working. We think that because of the limitations of the types of cash assistance and the amount of money under JTPA will force, of necessity, the various employment and training community members to move toward working with one another. We think that the limitation on funds is going to push for a better coordination.

Mr. MARTINEZ. One of the things that you said, is that there is a need for performance standards, and I feel there should be some standards. However, one of the criticisms that I have heard is that sometimes the people providing the training service, are very careful in who they select for the program, making sure that that person has the greatest probability of successful training and placement.

In that regard—you mention that in the JTPA those that were more needy were not being served; that a person with less need was the person that was being served.

Wouldn't that have something to do with it? My question is: Are we really truly serving those with the greatest need, which is what the program was originally designed to do?

Mr. FOGEL. I think our questionnaire results showed that it was mixed. In some cases, some groups did believe that they were serving more people that were ready, but I think our findings are somewhat consistent with Westat's in terms of the types of people being served. We didn't see a big difference between CETA and JTPA, except in the statistic looking at the dropout rate.

I mean, there is no doubt that JTPA was only serving—during the program year 1984—23 percent of the people they were serving that we looked at had dropped out, as compared to around 30 percent in CETA. But I would agree with you that there may indeed be some tendency on the part of local service providers to emphasize more those people who have a chance to succeed, but if you look at the proportion of AFDC people being served, the unemployed, youth and so forth, there is not that much difference.

I believe, though, that it is important to look over the next several years at exactly how that provision is working and the effect that it is having on the way that services are being provided. I don't think we have enough evidence at this point to support any change in the incentive program or in the way these standards are being used.

Mr. MARTINEZ. At this time, let me welcome the Honorable Steve Gunderson from Wisconsin and ask if he has any statement he'd like to make.

Mr. GUNDERSON. No opening statement, Mr. Chairman.

Mr. MARTINEZ. All right.

Let me then at this time ask the Honorable Mr. Perkins, do you have any questions?

Mr. PERKINS. I just have a couple, actually.

We talk about some of the people, and I suppose I am going to followup somewhat along what the chairman was saying. I know a lot of people used to be served by CETA that are not being served by the program that we are talking about today. It seems like to me these are a lot of people—I know them personally. I am not talking numbers; I know who they are and could point them out to you—and it disturbs me because no longer—in my area, we don't have jobs. Jobs just are not there. I am dealing with 20, 30, 40 percent unemployment rates sometimes in individual counties.

It is nice to train people for things. It is nice when they can have a placement at the expiration of their time period. We don't have anything or anywhere to put them. They are basically lopped off. There is no hope of them getting back on and you can't retrain them in another part or for another position or another job.

This class of people—they want to do something; they can be trained to do something, but there is still nothing for them to do. We are talking about a government jobs bill, which I am all for, but irrespective of that, I see a certain class and a certain very poor class of people—maybe this is the group that I am seeing—that is being left out by the JTPA Program.

I wonder what are your feelings as to what we are going to do with this group? Do you have any ideas in your provisions? Are we going to leave them out there?

Mr. FOGEL. Why don't we let Westat take that? [Laughter.]

Mr. COOK. Contractors will do anything you pay them to.

First, perhaps we should be speaking about economic development in Kentucky, rather than a training program. You are really talking about the demand side of the market and the need for jobs, or alternately, as you point out, some form of public employment.

In terms of the training and the issue of selection, it is not observable in any significant way in any characteristic—that is, that one can readily identify.

Mr. PERKINS. I have been told by some of my people down there, who are involved with this program, that they look to find the best and the brightest and those that have the best chance of succeeding and they push those. Then, because of the scarcity of the jobs, a lot of times, they tell me, the others get left out.

Mr. COOK. Yes, sir. We estimated that, given the size of the eligible population as we calculated it, which is the technically eligible population—not everyone who would walk in—and the number of



people served in JTPA during the transition year, which was 585,700, that that number was slightly under 2 percent of the eligible population. So, first, program operators, as you point out, are having to make choices in terms of who will be served. They are doing it within a fairly large eligible population.

Surprisingly, they are not doing it in terms of male/female, old/young so much, but if you have two people and one slot and one person has a higher probability in your mind of becoming employed, having filled that slot for the period of time that you can fund it, you make exactly the same decision that I assume I would make under the circumstances.

Mr. FOGEL. That is the way we read the law, too. Undoubtedly, the focus of this program is more on trying to train people and then place them in jobs. GAO is not in the position of coming up with straight policy recommendations, but I guess that my feeling would be that to deal with the type of problem you are describing, Congressman, you might want to take a look at some other alternatives other than JTPA because the way I read this statute being structured, it is more focused on—and I agree it is different somewhat than the earlier statute—but it is more focused on trying to concentrate on people who have a possibility of, through training and development, to get employment. If there are jobs in an area, it makes it pretty difficult for a program to be judged a success, which undoubtedly causes a problem in that area of how you would use the funds.

Mr. PERKINS. It seems to me that what you are saying is that you are going to exclude those people—it is a more rigid class that you are trying to serve. It is not the hard core people, that is one thing about CETA that I kind of liked. You could get people—they might not necessarily have all the greatest potential in the world and sometimes it is kind of hard to tell at that level who does have potential and who doesn't, and they would get on—they would have an opportunity—it seemed to offer them that opportunity.

This thing—while I think it is good; I really do, in the way it directs toward trying to get people jobs in private industry—I am for all that. It seems to me that by the very process of that, we are excluding a portion of our population and that population is again falling through the cracks with nowhere to go. I guess we have the Job Corps as one other option when you get down to that level, but outside of that, I look around the corner and I see my neighbor. Of course, he uses his Federal jobs program; I make no bones about it. He worked out—hard-working man, wants a job; doesn't have one, now he is left out. Didn't have anything to do.

Mr. MARTINEZ. The gentleman's time is up, but I would certainly concur that one of the problems with this program is that we are sometimes ignoring the truly needy that perhaps CETA did not, and I don't know for sure that the intent of JTPA was to exclude these people. Certainly we want to try to serve as many needy people as we can, especially dislocated workers, youth, those people who are identified under JTPA.

Mr. GIANNI. Mr. Chairman, I would just like to add a couple of comments. I think what has happened is the transition between CETA and JTPA. Perhaps some of the individuals that were being serviced before were being serviced under the Public Service Em-

ployment Program. When we made our comparison of statistics between title IIA of JTPA and CETA, we took a comparable type of a program, similar type of funding levels of both programs, so when you compare similar types of programs and similar types of funding levels, the same number of people in absolute numbers are being served and the general characteristics of those individuals seem to be right on line, with the exception of high school dropouts, and I—

Mr. PERKINS. It seems to me you are talking about apples and oranges, though, aren't you?

Mr. GIANNI. I am not sure I understand, sir. From a standpoint of—the high school dropouts now are being served in our sample at a much lower percentage, which is an indication that some of the service delivery areas are moving toward still an eligible population. They are eligible; they are economically disadvantaged, but perhaps they are easier to serve.

Mr. MARTINEZ. Easier to serve. Thank you.

Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman, and I apologize for not being here for your oral presentation, but I have reviewed it and would like to focus a little bit and address this to either of you—from your different perspectives can you respond to the concern of where we go. As I talk to my local people back in Wisconsin and as I understand in most of your local service delivery areas, the big, big complaint is concern about State overregulation, overpaperwork, et cetera. I am not personally ready, and I don't think this committee or this Congress is ready to take over the old Federal role in hopes of making States less regulatory and less burdensome, but what ought the Federal role be in this regard?

Is there a legitimate Federal role such as suggested guidelines, or is it the kind of thing that at this point should be left alone? How do you respond to that whole concern from those local SDA's?

Mr. FOGEL. I would like to answer that, again from the context of not only the work GAO has done in JTPA, but in looking at all the other block grants that have been implemented since 1981. The anxieties or concerns that the local SDA's have in this program is no different than the anxieties and concerns that we found that existed in all the other block grant programs.

There has definitely been a reduction of Federal regulations and guidance to the States in this program, as in the other block grants. However, in no program have we seen that the rules, regulations, or procedures, financial, contracting, and otherwise that States have been changed in terms of their relationship with the subunits. And that isn't just for JTPA; it is for the other block grant programs too, so there has been simplification from the Federal to the State level, but not from the State to the local level.

Our view would be that we let the programs work for several more years before we do too much in terms of considering possible additional Federal involvement in all but one area, and this does have us concerned and we addressed it in our statement. We think it is going to be very difficult for the Congress to get information that is comparable across States as to what is going on in these programs, given the way the administration has decided to collect data or, in fact, not collect data is a better phrase.

The Labor Department certainly, when this act was passed, had some proposals to collect some data across the States so they could get some information. That proposal was not approved by the White House. HHS had similar proposals in the block grants that it administered. They were not approved by the White House.

The Congress, in reauthorizing some of the health blocks last year, was more specific in directing the administration regarding data collection stuff that was comparable and we certainly think that something the subcommittee may want to take a look at. So that would be the only area that we believe ought to be addressed fairly soon.

Mr. COOK. I would like to comment on that, sort of outside of the report as I go out and talk to people in the States at SDA's. Some States attempted to centralize the program; other States early on allowed considerable decentralization of the program through the SDA's and the decisionmaking that goes with that.

What we found at the end of the transition year was a narrowing of that range. Some States that had been fairly proscriptive early on began to ease up in response to pressure from the SDA's. Other States that had decentralized their early operations discovered that they needed to have some sort of responsibility over program operations, some information and a way of offsetting liability and so they began to put in more reporting requirements, et cetera.

Wisconsin, by the way, is one of the States in the sample. I didn't say which category, of course. [Laughter.]

Mr. GUNDERSON. You don't have to.

Mr. COOK. The other thing, as I go around and talk to those people, they consistently—as soon as they find out where I live—say, would you please go back and tell those people that we need some sort of consistent reporting and would they please approve some sort of management information system that might be consistent across SDA's and across States.

The other has to do with the area of what I might call guidelines. I did not say regulations, but you talk to these people and they say, "Well, we are not getting any information on what exactly is a unit-based contract for purposes of full costing to training?" I indicated earlier that they are using more of it. Concerns about the amount of administrative money have dropped, while the increase in the use of performance-based contracting has risen.

You say, "Well, it is up to the State to determine," and they respond, "Yes," but we also know the only area in ETA that has an increase in funding and positions.

Mr. GUNDERSON. Thank you. I would just, in closing Mr. Chairman, like to suggest that if either of you could provide us with some guidance and some suggestions in terms of this information gathering guidelines, I think it would be very helpful to us.

Mr. FOGEL. We would be pleased to.

Mr. MARTINEZ. The gentleman's time is up.

Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman.

Let me first apologize for my own tardiness. I had another commitment I couldn't escape from and was late getting here.

I have a couple of questions I want to raise with the panel, but I want to make some prefacing remarks before I raise the questions

so I can get the proper setting and you will understand it, I want you to understand the district I represent. My district is about 90 percent black. I could say minority, but I want to be specific about it; they are black. About 16 to 18 percent totally unemployed. Roughly 50 to 60 percent of our youth are unemployed.

CETA, when it was in effect, was a program that was very helpful. JTPA is a program that, I think, can be beneficial if utilized right and if funded right. I don't know to what extent you people who have the responsibility for administering the program, heading it up, would have to get funds for it. I don't want to get you out of your position pushing in that direction, but I want you to know this is one inadequacy that I think is going to be hurt more by current proposals that are being made by the administration, Mr. Chairman, as it affects particularly the city of Chicago, totally, where I come from.

Currently, as we have been told, next year Federal moneys coming into the city will be some \$300 million less than what they were for this year, so the future doesn't look too bright.

My specific question to this, which sort of piggybacks the direction you were going, Congressman Perkins, you state that some SDA's select those persons most likely to succeed, while others use procedures to focus on those most in need of training. In the sites that you surveyed, what practice would you say was more widely utilized?

Mr. GIANNI. The sites that we selected were limited. We had 15 service delivery areas that we actually looked at early in the operation, so we can't talk from the standpoint of specific as to what is happening now. It was mixed, Congressman, as to whether they were using a full range—trying to select from a full range of eligible participants, as opposed to concentrating at the upper end.

What we did observe, though, and we thought was very interesting is the fact that some service delivery areas had developed techniques that would allow them to select from the full range of eligible participants. I think data development, perhaps, by other researchers would indicate a little bit more informative than the data that we developed, and I perhaps should turn that over to Bob.

Mr. FOGEL. I guess the bottom line was there was no overwhelming trend one way or the other. It was very mixed in the SDA's that we looked at.

Mr. HAYES. There is a growing feeling, and you may just respond to this briefly, particularly among Hispanics and blacks, that there is going to be vast number of people who are going to be permanently unemployed or just completely misfits in our society in the future. Sometimes I think the programs that we espouse or finance are conscious of this and move in that direction. That is the reason I raised the question.

Yes, sir.

Mr. Cook. Mr. Hayes, in the 40 service delivery areas that we looked at, we asked our associates in essence to characterize the targeting of those jurisdictions based on conversations with administrators, the characteristics data that they were producing and kinds of programs. Half of them indicated that they were essential-

ly targeting toward those most likely to benefit from training in JTPA and find a job subsequently.

Another six were targeting toward the group that you were speaking of, I assume—I am sorry, eight, as the most needy, but within this group, often you would find other comments that among that group the most placeable would be selected. Another six—and I note, only six—were targeting pretty much exclusively only on the most job-ready people in the eligible population.

Beyond that, there are a couple things that came out of the study that I would point out. One is that as you move from the Federal targeting in the law to the targeting put in place by the State, you find more targeting specific groups. When you get to the level of the service delivery area, you find even more targeting of specific groups, often hard-to-serve groups.

What that tells me is that as you get to the service delivery area, you are responding to more pressures from specific interest groups within the area and—

Mr. HAYES. I call it patronage; you say what you want.

Mr. COOK. We also found some attempts to have professional programs for particular hard-to-serve groups in addition to regular programs.

Mr. MARTINEZ. The gentleman's time is up. Evidently there is a vote.

I want to thank Mr. Gianni, Mr. Fogel, and Mr. Cook for their testimony and thank them for enlightening us some more.

Mr. FOGEL. Thank you.

Mr. COOK. Thank you.

Mr. MARTINEZ. At this time, I think what we probably ought to do, since we have finished with the first panel, is recess until we have made that vote. Recess for 15 minutes.

[Recess.]

Mr. MARTINEZ. Our second panel of witnesses will consist of Mr. Gary Walker, of Grinker-Walker Associates; and Mr. Patrick Moore, president of the National Job Training Partnership. I am going to allow Mr. Walker, because he is under a time constraint, to proceed and then we will question you immediately upon completion of your testimony, and then allow you to leave.

**STATEMENT OF GARY WALKER, PARTNER, GRINKER-WALKER ASSOCIATES, NEW YORK CITY, NY; AND PATRICK MOORE, PRESIDENT, NATIONAL JOB TRAINING PARTNERSHIP, INC., SAN DIEGO, CA**

Mr. WALKER. Thank you, Mr. Chairman, and thank you for the opportunity to testify.

My testimony is based on the interim findings of a 2-year study supported by the Ford Foundation, the Rockefeller Foundation, the Charles Stewart-Mott Foundation, and the National Commission for Employment Policy. This study is focused on three areas which are basic to the JTPA legislation.

The first one is that the legislation significantly alters the institutional relationships and roles in implementing employment and training. The Federal role declines; the State role increases; the local responsibilities are shared between the local government and

the PIC. This study examines the workings and the impact of JTPA's changed vision of governmental relations and voluntarism in carrying out major Federal legislation.

The second basic focus of the study is to look at whether coordination amongst public agencies, which is highly stressed in the JTPA legislation, actually increases. That has long been a goal of Federal legislation that is usually unrealized and we wanted to see if it was something that could be learned from JTPA.

The third and most important focus of the study is to examine who is served and the services actually received under JTPA. This is critical to understanding how the implementation of JTPA balances several of the not easily compatible elements in the legislation and funding. For example, the level of money afforded to JTPA is basically adequate to serve 1 out of every 20 or 25 eligibles, as Mr. Cook noted.

Second, JTPA has much stiffer performance standards than CETA ever did.

Third, there is reduced program flexibility under JTPA. There is no stipend, limited work experience, reduced administrative moneys. On the other hand, there is a mandate under the legislation to serve those most in need. There is a requirement that 40 percent of the money be spent on youth and that an equitable proportion of the money be spent on dropouts and welfare recipients.

So understanding this aspect, how those aspects of JTPA are balanced, will provide a sense of JTPA's role in dealing with key social problems.

Just to tell you overall first, our first two studies have basically concluded that you have a very mixed bag after a year and a half. There are some clear successes in JTPA and some notable shortfalls. Let me take first the institutional relationships and roles which have worked basically as the legislation planned, but have also generated, I think, several important issues and problems.

First, as planned, the Federal role is vastly decreased in all respects. In our interviews with States and SDA's, the Federal role was largely described as invisible. If you look at the different aspects of that role, namely the amount of substantive direction that the Federal Government provides, the amount of technical assistance it provides in terms of what has worked in the past and what hasn't, and in terms of the administrative guidance and oversight—if you divide up the Federal role that way, what we found is there is little complaint amongst States or SDA's about lack of direct substantive direction from the Department of Labor. Most of them felt that they did not need more substantive direction.

There was, however, increased complaint about lack of technical assistance in terms of what worked in the past and what didn't work. Most States and SDA's felt that over the last 10 years, there had been substantial and considerable amounts of money spent on learning what works in employment and training programs and that JTPA largely assumes that none of this learning is worthwhile.

The largest amount of complaint from the field was in terms of administrative guidance and oversight from the Federal Government. It was felt that, in terms of audit guidelines, in terms of a national reporting system, as was mentioned by GAO and Westat,



that the Federal role could be greatly increased and it would both improve the performance and the functioning of the overall JTPA system.

Now, if you go into the State role, I think these things tie in well together. The States did increase their role considerably as planned by the legislation, but mostly in administrative areas, administrative and reporting. In fact, over two-thirds of the SDA's in our sample reported that administrative and reporting burdens were greater under JTPA than they were under CETA. When we went and talked to the States as to why this was the case, most of them responded that they had spent considerably more time and money in putting up these administrative guidelines and reporting systems than anticipated because the Federal role had been so invisible in those areas they felt they had to make up for that.

So, in some ways, the lack of a Federal role in the administrative and reporting area, at least according to the 35 States in our study, has led to a greatly increased State role, which at the local level has been felt as a more administratively burdensome program than was previously the case under CETA.

The local responsibilities have been shared, largely between the PIC's and local governments, as the other people reported previously. We found that part of the program working relatively well over the first year. There have been several basic issues which have arisen. One is: Can a program like JTPA keep a voluntary group, namely the Private Industry Council, interested and involved over a long period of time? These people are volunteering; they are spending considerable amounts of time and we have seen, underneath what appears to be a good working relationship, a considerable drop-off in membership at a number of the PIC's and changes in leadership.

The second issue: Is the program becoming imbalanced toward fulfilling the interests of the local employers, namely the private businessmen on the PIC's? In our sample SDA's, we found that PIC members played by far the largest policy role in governing JTPA, compared to a very modest role for local government in most cases.

The second issue we looked at was who served and what services were they provided. With the minimum of substantive oversight direction that I mentioned coming from the Federal Government and from the State level in terms of who to serve and the kind of services you might have expected—indeed, we expected to find—a wide variety of programming when we went out to the SDA's. In fact, we found that the JTPA programs across the Nation were largely similar in structure and content and in who they served.

We found this to be the case, I think, in the main because four-fifths, or 80 percent of the SDA's that we talked to said that their focus in putting together the JTPA program had been on putting together a program that would achieve very high placement rates and very low costs. About a fourth of the SDA's, on the other hand, said that the legislation's focus on targeting, namely its emphasis on most in need, on spending 40 percent of the money for youth and on dropouts played an important part. In other words, only a quarter said those aspects of the legislation played an important part in putting together their program, whereas 80 percent felt

that high placement rates and low costs did play an important part.

What that led to was, of course, then, a very low use of support services in the program. Approximately 15 percent was allowed. Our sites, on average, used between 8 and 9 percent. There was a very minor emphasis on exemplary programming. The legislation lists approximately a page and a half of exemplary youth programs. Less than half our sites tried any exemplary programming at all, and the programs turned out, I think, to be much shorter than even the SDA's had expected.

The average training program was 11 weeks for adults; 12.2 weeks for youth, and the expectations had been around twice that. As I said earlier, what that meant was that the SDA's in our sample, at least two-thirds of them did not achieve the 40 percent expenditure for youth that was laid out in the legislation and two-thirds of them did not achieve the goals toward putting dropouts in their program that they had set forth.

The one area of targeting where they did succeed, and succeeded beyond expectations, was in bringing welfare recipients. In our analysis, that was largely because it was the one group that both PIC's and local government could agree was important to bring in the program and welfare recipients did bring with them income plus support services from the welfare and WIN agencies that they were dealing with.

Eighty percent of the 57 SDA's in our sample said that it was not important in their mind to go after those most in need; that JTPA was simply not a program appropriate for that; did not provide the amount of money or the services nor the incentives, and they basically ignored that part of the legislation.

In short, what we found was a streamlined, high-performance program largely aimed at eligibles ready to work in the basic skills. In other words, it was aimed at one particular element of that low-income population which is eligible for JTPA.

Regarding coordination, the story is to date short, I think, of legislative expectations, though coordination is a difficult thing to pull off amongst public agencies, and maybe over time we will see more of it. What we found was that the only agency across the SDA's where coordination worked was local welfare and WIN agencies. As I said, that is because I think the resources of JTPA and welfare and WIN fit well together. We found that coordination with the employment service was not significantly different than it had been under CETA; that coordination with local education departments was actually decreased under JTPA compared to what it had been under CETA.

In economic development, there was much interest and effort in increasing coordination there, but not really much success so far. To us, the basic story on the coordination element was really how much pressure came down from the States. If there was considerable pressure, there seemed to be more coordination, yet less than a third of the States in our sample really exhibited that kind of pressure, so consequently, it was not a high priority on the part of local SDA's.

Thank you.

[The prepared statement of Gary Walker follows:]



## PREPARED STATEMENT OF GARY WALKER, GRINKER, WALKER &amp; ASSOCIATES

Chairman Martinez and subcommittee members, thank you for the opportunity to testify regarding the status of the Job Training Partnership Act. Grinker, Walker & Associates of New York, New York, in conjunction with MDC, Inc. of North Carolina, is being supported by the Charles Stewart Mott Foundation, the Rockefeller Foundation, the Ford Foundation and the National Commission for Employment Policy in carrying out a national assessment of the implementation of Title II-A, Training Services for the Disadvantaged, of the Job Training Partnership Act (JTPA). We have already published two reports covering JTPA's early operation; the first report covered the initial plans and operational startup of JTPA; the second covered JTPA's first official operating period, from October 1, 1983 through June 30, 1984. This testimony is based on the findings contained in those reports. We are now preparing to make another round of field visits and telephone survey calls to the 57 service delivery areas (SDAs) and 35 States involved in the study, and will publish in October of this year a report covering JTPA implementation through June 30, 1985.

The study is focused on three major issues. One is to describe and assess the actual JTPA program that is implemented—the types of training and other services that are offered, and the characteristics of those individuals who participate in JTPA. Understanding JTPA as it actually operates is critical to assessing its role in federal social policy, and its usefulness in dealing with serious social problems.

The roles and relationships of public, private and nonprofit institutions in JTPA constitute another study focus. JTPA calls for significant changes in federal, state and local government roles from prior employment and training legislation. The legislation increases substantially the role of the private, for-profit sector. How these changes work may be instructive for both employment and training efforts, and other national policy initiatives.

The third major topic is the extent to which state and local policy makers coordinate JTPA with the policies and activities of other public institutions with an interest in employment and training, such as welfare and economic development agencies, and the public school system. Improving coordination among public agencies is a major objective of the JTPA legislation. JTPA's achievement in this area should provide insight into the workings, benefits and limits of this often-expressed but usually elusive goal.

JTPA became law in October 1982. One year was provided to prepare for operational startup in October 1983. States and local jurisdictions in the study sample spent that year primarily on defining jurisdictional boundaries, building of JTPA administrative capacity and defining public and private roles under JTPA. Program and service delivery were generally back-burner issues to the task of building the JTPA framework. Thus in 40% of the sample SDAs there were no JTPA programs operating as of October 1; those SDAs where there were programs in operation had basically extended smaller versions of their 1983 CETA programs.

The first nine-month operating period of JTPA—from October 1, 1983 through June 30, 1984—is described in the legislation as a transitional period. It was set up as a period for the JTPA system to implement the numerous changes that the Act mandates, each local SDA and state JTPA office knowing that it could review and adjust for deficiencies in that transitional period before the first full-year operating period began on July 1, 1984—when all the Act's timetables, performance standards, mandates and penalties would commence in full force and effect.

The federal government (its role significantly reduced from CETA) and the states (their roles greatly expanded) left the early choices regarding JTPA program priorities and implementation largely to local decision-makers. The federal government played a minimal role in both administrative and substantive decision-making, so minimal that many States and local JTPA offices felt there was no federal presence in JTPA. States had expected more federal guidance than was forthcoming, and did not anticipate the extent to which they were on their own to fashion solutions to the various issues which arose. The states placed their emphasis on establishing administrative, fiscal and information reporting systems and procedures, and did not—with few exceptions—utilize to any significant degree the leverage the Act gave them through its various set-asides (in particular the three, six, eight and Wagner-Peyser ten percent set-asides) to influence local decisions on who Title II-A should serve, or the kinds of services it should offer.

Given the very modest influence on local JTPA program decision-making by the federal and state governments, and the transitional nature of the initial operating period as established by the Act, a substantial diversity of program strategies and performance might be expected among local SDAs. In fact, however, the pattern of

local policy priorities, services, participants and performance was more one of similarity than diversity during the initial nine month operating period.

These similarities came largely as a result of the criteria utilized by the sample SDAs in constructing their initial JTPA programs. 80 percent of the SDAs said that the potential for high placement rates and low costs was the critical factor in putting together the initial package of JTPA training programs and services. Only a quarter of the SDAs judged that the special needs of eligible individuals for literacy, work experience or other support services, or the JTPA legislation's mandate to serve youth and dropouts, were important factors in selecting training activities and service deliverers.

As a result, the initial configuration of JTPA activities at the average SDA was even more weighted toward basic training activities like classroom and on-the-job training than the Act required (76 percent of sample site funds were expended on these activities compared to the Act's 70 percent requirement). The SDAs expended a very modest level of funds on support services like literacy training, day care and transportation: nine percent compared to the 15 percent allowance in the Act. They offered very few of the numerous innovative and exemplary programs recommended in the Act (less than two percent of training funds were expended on these programs); and gave little attention to designing or funding programs targeted at groups with special problems or support service needs, such as teenage parents and school dropouts.

The results of the first nine months of operation reflected these priorities. Placement rates, for example, were on average higher than anticipated or as set forth in federal standards: 70 percent versus a 58 percent standard for adults, and 64 percent for youth versus a federal standard of 41 percent. Costs were lower than anticipated; for adults, cost per placement was \$3,324, versus the federal standard of \$5,900; for youth, cost per positive termination was \$3,145, compared to the federal standard of \$4,600. Though the official placement rates were based only one day on the job, they were widely viewed within the JTPA system as evidence of JTPA success.

Other aspects of initial performance were not so encouraging. JTPA's targeting requirements were, with one exception, not satisfied. Officials at 80 percent of the SDAs said they made no concerted effort to define or serve those "most in need" and "able to benefit from" JTPA—one of the Act's targeting requirements—and did not believe that the legislation's reduced programmatic flexibility, compared to CETA, and its low level of funding, were conducive to dealing with those eligibles who most needed assistance in securing jobs. Most private industry councils (PICs), in particular their business members, saw JTPA primarily as a vehicle to connect economically disadvantaged individuals with immediate labor market needs in the most efficient manner, not as a tool to bring high-need and high-risk individuals into the workforce. Local governments were typically more concerned than the PICs' business members about JTPA's restricted usefulness for those individuals they judged to be at greater risk, and ultimately more costly to the public purse, but agreed that the JTPA approach was more likely to lead to high placement rates, low costs, and an involved private sector.

The lack of commitment and effort to the targeting provisions of the Act resulted in, according to three-fourths of the SDAs, substantial screening by service deliverers to enroll only those eligibles who were most job ready. The extensive screening, plus the modest level of support and remediation services, and the unexpectedly brief duration of JTPA training—11 weeks for adults and 12.2 weeks for youth—coupled with high placement rates, did cause concern among some state and local JTPA officials that many participants would have gotten jobs without the benefit of JTPA.

The Act's requirement that 40 percent of an SDA's JTPA funds be spent on youth was also unmet in the majority of SDAs. In fact most SDAs' youth spending fell seriously short of the legislative mandate: less than a third of the SDAs spent even 90 percent of their youth allocation. Those that did typically had large in-school programs offering job readiness and placement services to high school seniors who did not intend to pursue post-high school education. Forty-three percent of the youth who participated in JTPA had high school diplomas or higher education; 31 percent were in school; and 26 percent were dropouts. Many SDA officials felt the Act's severe restrictions on work experience and denial of training stipends made it very difficult to attract youth, particularly dropouts.

The Act's mandate that an "equitable" share of JTPA funds be spent on eligibles who had not completed high school, whatever their age, also went unmet in two-thirds of the SDAs. Most SDAs made no special attempts to attract dropouts, or to design or fund programs that would meet that group's deficiencies in the job

market. Only 60 percent of the sites offered remedial education services, and even those were modestly funded (six percent of training expenditures) and relatively brief (on average, 18 weeks).

The SDA response to these targeting shortfalls during the transition period was, as reflected in their plans for the operational year beginning July 1, 1984, primarily a management strategy: most decided to set clearer goals for service deliverers regarding youth and dropouts, and to monitor contractor activity more closely. The typical reaction did not include altering program content, structure or service deliverers. The sample SDAs, with very few exceptions, indicated no intention to define or target more resources on those "most in need." As indicated earlier, they did not judge the statute's provisions or level of funding suitable or adequate to construct a program for such individuals.

In contrast to their performance with youth, dropouts, and high need individuals, the sites on average exceeded their goals for enrolling welfare recipients. Welfare recipients were the one group that both PICs and local governments agreed should be served in large numbers, in hopes of a quick return in terms of reduced welfare dependency and costs. The SDAs for the most part developed good linkages with local welfare and WIN offices, ensuring a steady flow of applicants. In addition, welfare recipients had a source of income and support services while they were in JTPA. The above factors may offer some guidance as to the ingredients necessary to insure successful targeting under JTPA.

The SDAs were for the most part successful in implementing the Act's mandate that local JTPA governance be carried out jointly by local government and a private industry council (PIC) dominated by local business representatives. Except for a few locations, usually very large, old and non-expanding urban areas, or sparsely-populated rural areas, the PICs were active in JTPA policymaking. When SDA directors were asked what was the most positive aspect of JTPA compared to CETA, the aspect most frequently mentioned (by 34 percent of the sample sites) was increased private sector involvement.

The greatest interest of the PICs—in particular their business members—was in insuring that the JTPA program operated at low cost and with high placement rates. They were usually against putting resources into support services, and were not interested in designing programs for particular groups.

There was little evidence in the first operational period that those SDAs with more active PICs were more successful in involving the larger local business community in JTPA. Only two of the 25 field sites said that PIC involvement led to more primary labor market jobs for JTPA graduates than the existed under CETA. The average wage of JTPA graduates offered some support for this view: at \$4.61 per hour, it met neither the federal standard of \$4.90, nor local program expectations.

It was unclear whether the high level of PIC interest and involvement would continue. There were substantial changes in PIC membership at half the sample sites, and changes in PIC leadership at one third of the sites, during the transition period. PIC members at many of the sites expressed concern over the increasing number of state administrative and reporting requirements, and at the amount of time they were spending on JTPA. They were, however, very pleased at the early placement and cost results.

Fulfillment of the statute's requirements of SDA coordination with other public agencies interested in employment and training was uneven. Coordination with agencies which brought quick and concrete results, such as welfare and WIN, were generally successful. There continued to be great interest in coordination with local economic development efforts, but most SDAs saw this as a long-term process, and did not expect quick results. There was in fact little evidence of such results during the transition period.

Coordination with the Employment Service showed a modest increase over that which existed under CETA, primarily in terms of establishing joint service boundaries, or colocating offices. Few sites achieved substantive or programmatic coordination beyond that which had previously existed.

Coordination with the public school system increased during the transitional period over what was set forth in the initial plans, primarily to increase the number of youth participating in JTPA. However, almost half of the SDAs still had no linkages with the public school system at the end of the transition period. Coordination with other public agencies—rehabilitation, vocational education and others—was scattered across the sites and usually modest in scope.

Local JTPA coordination with other public agencies was more evident where there was strong state pressure, or active state-level coordination among public agencies. However, less than a third of the states exhibited those characteristics. All

the states established coordination requirements for their SDAs, but these could usually be met by local written statements of intent to coordinate. Several states noted that they did not have the staff resources to monitor the development and implementation of coordination agreements among local agencies at all the SDAs. There was little evidence, in terms of policies or activities, that the degree of coordination, at either the state or local levels, would change substantially during the first full program year.

An area of concern which developed during the transitional period was the relationship between states and SDAs. A majority of the sample SDAs said that state administrative and reporting requirements were more time-consuming than federal requirements had been under CETA. The state response generally was that their requirements were necessary to provide useful analysis of SDA operations and performance and to prepare properly for federal audits; state officials did not feel they had been adequately informed as to the standards federal auditors would use. The states with few exceptions judged that in the area of operational and performance reporting a more substantial federal role would have been useful, in order to ensure uniform national data for comparison and analysis.

Whether further operating experience will improve local/state relationships, and perhaps in the process increase the federal role, will be important issues for follow-up.

JTPA's initial operating period produced a mixture of accomplishments and shortfalls. As noted earlier, what is notable is the similarity across the sample SDAs in program structure, content and performance. These basic similarities generally persist across geographic, demographic, economic and local leadership differences.

The similarities appear to be a result of several factors. The great majority of SDAs said that CETA had not had a positive reputation in their communities. Whether that reputation was deserved or not, SDA leaders were determined that JTPA would have a positive image. One part of CETA's image that was heavily publicized was that it was "too costly, and ineffective," to quote one national magazine. Thus the SDAs focus on cost and placement measures was in part a response to this aspect of the CETA image.

A second factor, connected to the first, was that media, political and professional discussion of JTPA, particularly that emanating from Washington, D.C., tended to focus on only a few of the numerous mandates and changes the Act contained: private sector involvement, performance standards, and potential to reduce welfare rolls through JTPA. It was in these areas that the SDAs performed well.

A third factor was the level of JTPA funding. Many SDAs judged that the level of JTPA funding—which could provide training services to less than five percent of individuals eligible for JTPA—was too small to afford much room for innovative, exemplary or multicomponent programs aimed at high-need groups. Those programs cost more to develop, to operate, and usually, even when successful, report relatively high cost per placement. Funding such programs at any substantial level would significantly reduce the total number of participants for which JTPA could provide training. Officials in many jurisdictions were concerned that any actions which reduced the total number of participants would promote the judgment that JTPA was insignificant, and perhaps not worth keeping, if further cuts in federal spending were contemplated.

These explanations do not undercut or minimize the significance of JTPA's early successes; neither, however, do they erase the importance of the other mandates and goals of the Act which were not satisfied during the first operational period. The adequacy of the SDA response to these shortfalls, the ability to maintain early successes, and the role of the federal and state governments in ensuring that all of JTPA's provisions are given serious attention and efforts, are critical issues that will be examined for the next report.

Mr. MARTINEZ. Thank you.

Mr. GUNDERSON, you just joined us, and I have stated, because of Mr. Walker's time schedule, that we would take his testimony and question him before we got into the testimony of Mr. Moore.

Mr. GUNDERSON. I am sorry; I thought you meant Mr. Walker on the floor. I understand we are expecting another vote in 10 to 15 minutes, so we may want to try to hurry this up.

Mr. MARTINEZ. OK, we will go into the questioning now.

I get an inference from what you first said that you understand that the mandate of the legislation to serve the most needy and

that even though this has been a very efficient program for those that it has served, those most in need were ignored.

Would you elaborate on that?

Mr. WALKER. Yes. Our reading, both of the legislation and our discussions with most local operators, is that the legislation is not consistent on what it expects of them. It does talk about most in need; it does talk about serving dropouts and 40-percent youth. On the other hand, for most of the local operators that we talked to, their perspective was basically what they heard emanating from Washington was the importance of high placement rates, low costs, and bringing in welfare recipients. They did not hear that those provisions of the legislation focusing on most in need and youth and dropouts were that important. Therefore, they focused on what they heard was important, the high placement rates, low cost, and they achieved that. So they really focused on those aspects of legislation they felt they got the most reward for carrying out.

Mr. MARTINEZ. Let me ask you one more real quick question. How does the short period of training really provide long-term job potential? In my thinking, jobs that you can train people for very quickly are jobs that have a low amount of skill connected with them. Therefore, there really is no guarantee of long-term employment.

Mr. WALKER. I don't think any of these programs, no matter how long or how short, can guarantee long-term employment, but certainly what we heard in the field was that JTPA functioned best as a very efficient employment exchange at the local level in filling those jobs that were immediately available. That also meant that it functioned best for people who may be unemployed, who may be low income, who may have some support service needs, but who are basically work-ready; who do have basic literacy skills and with a 10- or 11- or 12-week course, can be polished up and ready to put into that available job. That is really where this program functions at its peak.

It would deal, of course, with those people who have greater needs or longer-term needs. It just simply can't bring them in.

Mr. MARTINEZ. So without a revision of the program itself and directing it toward those other people, those most in need will continue to be unserved.

Mr. WALKER. I think not. Certainly between our first time in the field and our second time, we saw a drastic decrease of interest on the part of local operators on even claiming the rhetoric that they were dealing with those most in need. In fact, what we heard the last time out was that dealing with those much harder-to-serve groups could not be done in a program that was so focused on having the private sector involved because that group would not maintain their interest. They would need much more money in support services; would need reduced pressure on performance, certainly, and more flexibility and focus on creative and innovative programming that a program like JTPA just doesn't lead you naturally to deal with those kinds of people and their problems.

Mr. MARTINEZ. Mr. Gunderson.

Mr. GUNDERSON. Thank you. I am just going to be very brief because of your time problem and our time problem. Just one clarification, and that is in page 6 of your testimony, you say, "Though



the official placement rates were based on only 1 day on the job, they are widely viewed within the system as evidence of success." Is this a standard across all service delivery areas that placement rates are based on only 1 day on the job?

Mr. WALKER. Yes. When we were out—there may have been one or two exceptions, Congressman, but certainly for the vast majority, it was 1 day on the job, and that was no different than CETA, so it was that JTPA was doing anything different here. These placement rates under CETA; placement rates under JTPA are largely 1-day-on-the-job figures.

Mr. GUNDERSON. I am going to ask you to respond, either later or in written testimony to the whole question of liability. This area has been one of major concern raised by our local personnel, particularly the PIC councils. If either of you would submit in written testimony or later in remarks something on this issue of liability and what ought to be done at the Federal level to deal with that concern, it would be most helpful.

Thank you, Mr. Chairman.

Mr. MARTINEZ. Thank you.

Mr. Hayes.

Mr. HAYES. Time will not permit my question—neither mine nor the witness' time will permit it. I would like for you to respond maybe in writing if you can.

One of the things that JTPA sought to create was a true partnership between PIC and the local elected officials with increased responsibility for States and role for the Federal Government. Do you think that we have a true partnership?

Mr. WALKER. I would just like to answer that briefly, Mr. Hayes. From one angle, I think there is no question that we do. You have businessmen and volunteers sitting spending their time working with local government on this program. In another sense, I think we have to be realistic and recognize the limitations of a program which takes the interest of the local public sector, which is often towards dealing with tough social problems, and people are paid to deal with them and a volunteer group is spending their own time, who want to see quick successes, who really aren't in it, I think, for a long, arduous, tortured kind of path which sometimes social programming can be. That is just a realistic limitation of this partnership.

Mr. HAYES. Thank you, Mr. Chairman.

Mr. MARTINEZ. Mr. Moore, I sincerely apologize. We will take another 10-minute break and be back to take your testimony.

[Recess.]

Mr. MARTINEZ. Mr. Moore, once again, excuse us for the delay. Why don't you proceed.

Mr. MOORE. Thank you, Mr. Chairman.

My comments today are offered both as president of the San Diego Private Industry Council, as well as president of the National Job Training Partnership, which is an organization representing service delivery areas, industry councils, and States involved with the administration of the Job Training Partnership Act.

The perspective I would like to share with you is principally that of an SDA and PIC director working day to day with the imple-

mentation of this program, perhaps a more operational and pragmatic view than you might get from surveys and research reports.

I will just summarize some of the key points that I would like to share with you from my testimony.

Overall, JTPA is working remarkably well for a program still in its infancy. This does not mean that there are no areas of concern because there certainly are, but overall, PIC's are appointed and active. The private sector is more involved in Federal job training programs than ever before in our history. Programs are operating effectively. The eligible population is being served and the public credibility of job training programs is high.

I would like to turn for a moment to some areas that do require consideration. One of JTPA's most welcome and critical improvements over CETA was the establishment of what I would call stability structures, a 2-year plan, a program year that, in essence, allowed advanced funding, and a variety of other measures.

There are critical to establish a stability in program continuity for JTPA that CETA was never afforded, but an area that was overlooked was the volatility of sub-State funding allocations. JTPA provides a 90 percent hold-harmless in annual funding allotments to States, but there is no such provision in JTPA for sub-State allocations to service delivery areas and PIC's.

One-third of the local SDA's allocation is awarded based on the numbers of persons in areas of substantial unemployment, but if that area's unemployment rate drops just below that threshold level of 6.5 percent, it can lose 100 percent of the funding attributable to that formula element, even though the number of unemployed is virtually the same in absolute numbers. This type of funding is found in two-thirds of the formula providing moneys to local areas.

The resulting effects are volatile funding shifts that can cause the dismantling of entire program structures in 1 year, only perhaps to have to be rebuilt at additional cost and delays in a subsequent year. Staff layoffs, termination of contracts, loss of training facilities, interrupted commitments to employers. The list of operational impacts goes on and on. All this happens annually in the middle of what is an approved 2-year plan.

In 1984, many SDA's experienced 30 to 50 percent funding reductions over the prior year. JTPA was intended to limit these roller-coaster impacts on funding. Results are destabilizing and disruptive. As detrimental as the situation is for title IIA, it is absolutely devastating for the title IIB Summer Youth Employment Program.

States lack an effective means to solve this problem under the current law. The Department of Labor has offered no adequate solution. Congress needs to include in JTPA provisions extending the 90 percent hold-harmless that currently exists among States to extend that to within State allocations amongst SDA's and PIC's.

A good deal of commentary in discussion today has also centered on the question of national performance standards included in JTPA.

I have included in my testimony a variety of information that describes a bit for you the experience of San Diego as an illustration under the performance standards. In general, San Diego experienced attainment of all seven performance standards and did so

with no less service to hardest served groups and no lessening of the use of community-based organizations to deliver services. As a result of that performance, San Diego has allocated \$900,000 by the State of California as an incentive for that performance.

Let me assure you that has become a strong incentive to continued performance and has raised the performance expectations level in San Diego. That will allow us to serve 500 persons who otherwise would not have been served in JTPA.

One of the key catalysts that sparked that performance was simply the existence of clear, specific, known public performance standards that serve to elevate a consciousness about performance and to define targets for performance. Performance standards have had the overall effect of elevating the performance attainment of the delivery system.

With regard to concerns often expressed that performance standards will invariably drive local SDA's and PIC's to select clients most able to succeed, let me say that it is clearly possible for a training agency to increase its likelihood of successful performance by "creaming." But that is not an inevitable development.

For example, in San Diego, each training contract includes targets not only for performance outcomes, but numerical targets for services to hard-to-serve groups, handicapped, limited English-speaking, ex offender, refugees, ethnic minorities, public assistance recipients and so forth. A contractor does not successfully perform by achieving program outcomes if doing so is at the expense of serving the target groups to which it is also contractually bound.

The point is that the definition of performance needs to also include considerations as to who was served. It is within the capacity under JTPA at the Federal, State and local levels to ensure that this is the case, to ensure that performance is also performance with integrity.

Now, I do not wish my comments to be taken that all is roses in the performance garden. There exists fundamental problems with performance standard models that the Labor Department has developed. Factors built into the model are able to explain only one-half of all the performance variations that would occur. There are questions to be raised with regard to the data base which the Department of Labor is using for the calculation of performance standards.

The most significant problem is the reliance upon placement rather than longer term measures for assessing performance. With the passage of JTPA, Congress stated in section 106 that the basic measure of performance would be increases in employment and long-term earnings and reductions in welfare dependency. The current national performance standards do not include those measures.

Maintaining public confidence and implementing congressional intent requires significant improvement in the primitive system that is now being utilized to measure performance. There exists much work to be done to perfect the way in which the model is implemented and the measures that are utilized.

The Department of Labor's cautious approach needs to be modified to evidence a greater commitment to implementing postprogram performance measures and improving the model's predictive



validity. Each State, left to its own devices, will spawn a wide range of systems of varying quality and limited consistency. The national integrity of JTPA should not be left to the hopeful expectation that the struggles with this issue separately in the 50 States will simultaneously and coincidentally converge to an appropriate system.

I would like for a moment to talk about the area of youth services and the concern that exists that SDA's in many cases are not meeting the 40-percent expenditure requirement on youth. The impact of restrictions on work experience are more significant in JTPA than restrictions on needs-based stipend payments. In order to encourage youth to participate in a turning program, it is often essential that something immediate, tangible, specific and of value be offered.

Being severely limited in the ability to pay stipends, and with severe restrictions on work experience, the requirement to expend 40 percent of all moneys on youth, which, because of the unit cost of youth programs, may mean 50 to 60 percent of all persons served, is a demanding task.

On-the-job training programs are often also limited in their ability to serve youth due to State laws prohibiting youth working in many occupations under the age of 18 or 19. The combination of limited program strategies, along with a 40 percent expenditure requirement, is a primary reason why SDA's have had difficulty meeting new service levels.

The real issue is to examine whether or not we have built into JTPA adequate strategies, adequate program strategies to serve youth at the level to which we expect youth to be served in this program. The issue of liability was raised a moment ago, and certainly questions surrounding financial liability for minor violations of procedural rules and regulations preoccupied much of the management energy of the CETA system in its final years.

It would be a mistake of great consequence to return to the point where the dominant performance objective of the service delivery area was minimization of exposure to financial liability, but JTPA is now approaching, in this next year, the period in which the result of initial audits conducted under JTPA will first be seen.

States, in the face of limited Federal guidance, are pursuing a protective and defensive approach. What is an allowable cost in one State may be a disallowed cost in another. There are no national audit standards for allowable costs under JTPA. There can be 50 separate interpretations in 50 separate States.

The Labor Department's position that Governors can proceed with great flexibility and that the Federal Government will not later question such interpretations is believed by no one at the State and local level, and with good cause. The Department of Labor has done a service to the delivery system under JTPA by not hamstringing the system with needless regulation. But there are key areas in which greater guidance is needed and one of the most important of these is audits and liability.

One of JTPA's most controversial features was its elimination of stipends for all practical purposes. It should be obvious that absent any means of income support, it is virtually impossible for an individual to participate for any extended duration in a skills training

activity. However, it is also true the question of income support is not synonymous with stipends.

A major response by SDA's to lack of stipends was to attempt to structure alternative programs better able to serve participants with limited in-program income. This included part-time jobs. It includes the use of on-the-job training, combined with classroom training. It includes the intensifying of instruction to shorten the length of time a person may need to acquire certain job skills.

But all these adjustments together cannot address the problem completely. If our policy objective is to have a system accessible to all persons who are eligible, then something more needs to be done. To simply suggest that motivation by itself is sufficient to sustain an individual in a longer term turning program is at best naive and at worst, smacks of "let them eat cake."

Now, one potential solution is to establish a more flexible system that is currently in effect, one that provides increased flexibility to the local area. I am not suggesting a return to stipends. Simple income transfers fail to reinforce incentives for participant performance, but the flexibility to establish, for example, earned-incentive payments, where a participant can earn an amount for achievement of training objectives, attendance levels, competencies attained, can provide a source of earned income during the program associated with achievement.

This is just one example. If, in fact, what we care about is the total cost of a person to be served, we should be concerned less about—at the national level—about defining the rules and restrictions on stipends and support of services.

Finally, with regard to displaced workers, I would like to offer some observations concerning the underexpenditure of title III moneys. Title III funds do not flow by formula to the local level. Twenty-five percent are retained by the Department of Labor. At the State level, the remaining 75 percent is often distributed through requiring local applications for moneys.

The mechanism of a local application is time consuming. Waiting to apply for funds until a plant is already closed impedes the ability to put together a program. Particularly critical of displaced workers is that if you cannot put that program together by the time the plant closed, the longer it takes to get the moneys, the less likely you are going to be able to involve the persons in the program.

Finally, Mr. Chairman, the last thought I would leave with you is the urging in the strongest of terms to preserve the local flexibility. A key to maintaining business, elected official and community support is to keep their roles meaningful and JTPA will succeed based on the strength of those local partnerships and flexibility is the key to allowing those partnerships to emerge.

Thank you.

[The prepared statement of Patrick W. Moore follows:]

PREPARED STATEMENT OF PATRICK W. MOORE, PRESIDENT, SAN DIEGO PRIVATE INDUSTRY COUNCIL AND PRESIDENT, NATIONAL JOB TRAINING PARTNERSHIP, INC

Mr. Chairman and members of the subcommittee, I am Patrick W. Moore, President and Managing Officer of the San Diego Private Industry Council. In that capacity I serve as chief staff to the San Diego PIC, as well as Executive Director of

the San Diego Regional Employment and Training Consortium, the administrative entity for JTPA in the city and county of San Diego.

I also have the privilege of serving as President of the National Job Training Partnership, Inc. The National Job Training Partnership is the only national organization representing all of the various local and state "partners" that operate under the National Job Training Partnership Act.

Let me express my appreciation for the invitation to address your Committee at its initial hearing on JTPA oversight.

The testimony you will receive today from other witnesses—principals involved with the General Accounting Office, the Grinker-Walker and the Westat studies—will provide you a comprehensive overview of trends that can be observed in JTPA. I would like to share with you my perspectives as an SDA and PIC Director, working day-to-day with the implementation and management of this program—perhaps a more operational and pragmatic perspective than surveys and research reports might convey. While the comment I offer are purely my own, they do reflect observations gleaned not only from San Diego's experience, but also from knowledge of, and interaction with, many of my peers.

So that you may better understand the context for my own comments, the San Diego Service Delivery Area (SDA) includes both the city and the county of San Diego, and represents a population just in excess of two (2) million. The San Diego SDA reflects a blend of urban and rural communities, with an economy characterized by a diverse combination of tourism, defense related industries, agriculture, the Navy, and rapidly expanding high tech, electronics and bio-tech industries.

The annual unemployment rate for San Diego for the past calendar year was 6.2%. Although unemployment has been declining in San Diego, significant structural shifts in the local economy have resulted in major plant closures in the tuna (fishing and canning), and ship building and repair industries. Indeed, over 10,000 workers have become unemployed from various local plant closures and mass layoffs over the past twenty four months. Although San Diego's overall unemployment remains below the national average, more than 50,000 San Diegans are today unemployed—and they represent those with the most severe barriers to employment. Minority and youth unemployment continue at unacceptably high levels.

Drawing from San Diego's own perspective as well as from a knowledge of other SDA and PIC experiences, I would like to focus my comments today on several key issues: sub-state funding allocations, performance standards, services to youth, audits and liabilities, participant income support, and displaced workers.

My perspective on these issues is not only shaped from experience with JTPA. I served as a prime sponsor director of nearly ten years during CETA, first in a rural area of Oregon and subsequently in Southern California, and have had the opportunity over the past fifteen years to direct training programs under the Manpower Development and Training Act (MDTA) and the Economic Opportunity Act (EOA) prior to CETA; as well as to work at the State and Federal levels.

#### OVERVIEW

JTPA is working. It is working remarkably well for a program still in its infancy. This does not mean there are no areas of concern, because there are. But overall, PICs are appointed and active; the private sector is more involved in federal job training programs than ever before in our history, programs are operating effectively; the eligible population is being served; and the public credibility of job training programs, both with the business and general communities is high. This success is not only due to the structure and design of the JTPA legislation, but is also in good measure due to the ability of JTPA to capitalize on the institutional knowledge and capacities that had been developed from over a decade of CETA experience.

#### SUB-STATE FUNDING ALLOCATIONS

One of JTPA's most welcome and critical improvements over CETA was the establishment of "stability structures"—a two-year plan; a staggered program year that, in effect, provides forward funding; safeguards against frequent, last minute regulatory or performance standard changes; requirements for prompt allocation of funds, three year expenditure authority for obligated funds. These features, in tandem with the Federal commitment to allow a period of legislative stability and not "tinker" prematurely with the program, continued to be vital to JTPA's health and programmatic maturity. But an area overlooked is the volatility of sub-state funding allocations.

JTPA provides a 90% hold harmless in annual funding allotments to states. Regardless of funding formula shifts, a state is assured that funding in any year will

be no less than 90% of what it received in the prior year. A similar stabilizing feature was present in CETA throughout its history. But there is no provision in JTPA regarding sub-state allocations to local Service Delivery Areas.

One third (1/3) of a local SDA's allocation is awarded based upon the number of unemployed persons in areas of substantial unemployment (6.5% or higher). But if its unemployment rate drops just below 6.5 percent, it can lose 100% of the funding that is attributable to this formula element—even though the number of unemployed is virtually the same in absolute numbers. This type of "funding cliff" is also present in the formula element (with a weight of one third) that allocates funds based on "excess unemployment" (above 4.5%). Thus, two thirds (2/3) of the local funding mechanism is subject to this dynamic.

The resulting effects are volatile funding shifts in local areas that can cause the dismantling of entire program structures in one year, only to perhaps be reinstated at added cost and operating delays in a subsequent year. Staff layoffs; termination of contracts; loss of training facilities; interrupted commitments to employers; scaled down participant recruitment activities; storage, sale or transfer of training equipment—the list of operational impacts goes on and on. A slight rise in employment above the 6.5% threshold in the subsequent year requires reinstatement of these contractions. And all of this happens annually, in the middle of the approved two year plan.

In 1984, many SDAs experienced funding reductions of 30% to 50% from the prior year. JTPA was intended to limit these "roller coaster" funding fluctuations which are not only costly and interruptive to program continuity, but which also damage business and local community confidence in the program.

Such volatile shifts dramatically and disproportionately affect resources for relative small changes in the level of local unemployment. The results are destabilizing and disruptive. With a gradual lowering of national unemployment, the number of areas that hover close to these funding precipices increase, and system wide effects magnify. As detrimental as this situation is for Title II-A, it is devastating with regard to the Title II-B summer youth employment program.

States lack effective means to solve this problem under the current law. The Department of Labor has offered no adequate solution. The Congress needs to include within JTPA, provisions extending the 90% hold harmless provisions currently in effect among states, to within-state allocations to SDAs for Title II-A and II-B.

#### PERFORMANCE STANDARDS

A good deal of commentary and concern have surfaced regarding JTPA's inclusion, for the first time, of national performance standards. Skeptics cite the potential for detrimental impact on participant selection (i.e., those most in need may not be served), and advocates cite the positive effect that accountability measure have had on program performance.

I would like to illustrate some points with regard to this debate by citing California's and San Diego's specific experience.

The State of California, along with the majority of states, uses the performance standards model that has been developed by the U.S. Department of Labor (DOL). That model takes the seven (7) national performance standards identified by the Secretary and prescribes a means by which these national standards are adjusted for each SDA, based upon a range of characteristics, including service to various target groups, local unemployment rates, and other relevant elements.

California moved quickly and aggressively to implement the use of performance incentive funds. Approximately 80% of California's "6%" performance incentive monies are allocated among Service Delivery Areas. SDAs meeting five out of their seven performance standards, and not falling short of any of those missed by more than 15%, are eligible to receive a share of performance incentive monies, based on the number of standards met; the degree to which standards were exceeded; and the size of the Service Delivery Area.

San Diego's experience with regard to performance standards under this system for the nine months' transition period of October 1, 1983 through June 30, 1984 was as follows:

Performance criteria	Performance—	
	Standard	Actual
Entered employment rate (adult)	55 percent	78 percent
Welfare entered employment rate	38 percent	64 percent

Performance criteria	Performance—	
	Standard	Actual
Average wage	\$4.46	\$4.61
Cost per entered employment	\$4,595	\$2,835
Entered employment rate (youth)	47 percent	75 percent
Positive termination rate	73 percent	81 percent
Cost per positive termination	\$3,022	\$2,947

Not only did performance during the first program year of JTPA exceed the standards set by the model, but it also exceeded in all categories the experience of San Diego during the last year of CETA:

Criteria	Last Year CETA	JTPA
Entered employment rate (adult)	60 percent	78 percent
Welfare entered employment rate	52 percent	64 percent
Average wage	\$4.43	\$4.61
Cost per entered employment	\$3,675	\$2,835
Entered employment rate (youth)	49 percent	75 percent
Positive termination rate	68 percent	81 percent
Cost per positive termination	\$3,239	\$2,947

This level of improved performance was not obtained at the sacrifice of any significant change in the persons being served:

	Percent—	
	Last year CETA	JTPA
Female	45	50
Public assistance recipient	34	34
Handicapped	9	8
Unemployed 15 weeks or more (adults)		67
Black	22	23
Hispanic	25	23
Asian/Pacific Islander	12	13
School dropout	26	22
Single head of household with dependents	19	20
Unemployment insurance claimant	12	11
Age 21 and under	35	34
Age 55 and over	6	7

Increased performance was also not obtained from any significant shift in the type of organizations from which training services were purchased

#### TRAINING CONTRACTS BY TYPE OF AGENCY

Type	Percent—	
	Last year CETA	JTPA
Community based organizations	48	45
Public education	21	22
Private education	17	10
Private employers	8	9
Local governments	9	9
Other private, nonprofit (for example, labor, chambers of commerce, and so forth)	2	5

As you can see from the data, San Diego experienced successful attainment of all seven performance standards; exceeded performance during the prior year of CETA; did so with no significant change in service to hard-to-serve population groups, did not lessen its use of community organizations to deliver training; experienced no change in SDA boundaries from the previous prime sponsor; and did not change administrative entities from CETA to JTPA.

As a result of this performance and California's approach to implementing a strong performance incentives system, San Diego received a performance incentive award of \$885,507. And let me assure you that that has become a strong incentive for continued performance in the current year, and has elevated performance expectations to a new level in San Diego.

What was the cause for increased performance? In part, it was an improved economic climate that saw average unemployment in San Diego drop two percentage points. But the improvements in performance more than exceeded the expectations that accompany this change. And, the performance standards model incorporates the factor of local unemployment in its setting of the performance standards to be reached. The catalyst that sparked performance included:

The establishment by the PIC of an Evaluation Committee that scrutinized performance;

Termination by the PIC of half a dozen contracts that were not performing, clearly signaling to the local delivery system the seriousness of the PIC's intent; and

The simple existence of clear, specific, known and public performance standards that served to elevate awareness and define targets.

This is not to suggest that organizations delivering job training services are not concerned about accomplishment without the "stick" of performance standards.

We in San Diego believe that we have an effective, concerned, competent set of service delivery organizations. However, the existence of performance standards has raised the consciousness of SDAs, PICs, and training providers. Performance standards combined with the extensive use of fixed unit price performance contracts (the only method of contracting used in San Diego) has had an overall effect of elevating the performance attainment of the delivery system.

But what of the concerns often expressed that performance standards and use of fixed unit price contracting will invariably drive local SDAs and PICs to select clients most able to succeed? And doesn't this seemingly inevitable tradeoff suggest that a system focused on performance outcomes—a "performance driven" system—will perversely affect service to population groups for whom job training programs were intended in the first place?

It is clearly possible for a training agency to increase its likelihood of successful performance by "creaming" the most successful persons from among the population to be served. But this is not an inevitable development. In San Diego, each training contract includes not only targets for performance outcomes, but it also contains numerical targets for the percentage of persons to be served from various hard-to-serve population groups. A contractor does not successfully perform by achieving higher program outcomes, if doing so is at the expense of the target groups to which it is also contractually bound. Successful performance is to include considerations of both who is served, as well as what outcomes are produced. When the option of achieving higher performance outcomes through neglect of service to key population groups is removed, then increased performance has to be obtained through program efficiencies and improved effectiveness in operation.

My point in dwelling on San Diego's experience is simply to convey a specific illustration of the desirable impact that performance standards have had, and to demonstrate that often expressed fears regarding undesirable effects on services to hard-to-serve groups are not an inherent tradeoff that should cause us to doubt the wisdom or value of a "performance driven" system.

I do not wish my comments to be taken that "all is roses" in the performance garden. There exists fundamental problems with the performance standard model that the Labor Department has developed and which is being utilized by the majority of states. The model attempt to factor in elements such as service to hard-to-serve groups, local unemployment rates, program duration, and other features to validly predict an expected level of performance. However, factors built into the model are able to explain or predict less than one-half of all of the variations in performance. This means that more than half of the factors which contribute to performance variance cannot be considered within the confines of the model. Further, there are questions to be raised with regard to the data base that is now being utilized by the Department of Labor for the performance model as we enter the next program year.

The most significant problem with the current performance standards system is the reliance upon placement rather than longer term measures for assessing per-



formance With the passage of JTPA, Congress stated in Section 106 that the basic measure of performance for adult training programs under Title II are to be increases in employment and earnings and reductions in welfare dependency. The current national performance standards do not include these measures. The Office of Management and Budget's denial of the U.S. Department of Labor's requests to establish post program data collection categories makes the implementation of any such standards virtually impossible.

The existence of performance standards has increased the credibility of JTPA with the business and the general community. They are an asset in building public confidence in JTPA expenditures. It distinguishes JTPA as virtually the only program in the social services arena with such visible and specific measures of performance. It would be a mistake of monumental proportions to remove from JTPA the desirable features of a "performance driven" system. At the same time, maintaining this confidence and implementing congressional intent requires significant improvement in the primitive system now being utilized. There exists much work to be done to perfect the way in which the current national performance standards model is constructed and the measures used. While some efforts are underway at the Department of Labor to examine the current model, the disposition of the Department of Labor is to make relatively few changes, leaving well enough along, leaving adjustments to be made at the State level. The Department's cautious approach should be modified and a greater commitment made to implementing post program performance measures and improving the current model's predictive validity.

Federal state left to its own devices will spawn a wide range of systems of varying quality and limited consistency. This is an area in which greater Federal leadership is required. The national integrity of JTPA should not be left to a hopeful expectation that the struggles with this issue separately in the fifty states will simultaneously and coincidentally converge to an appropriate system. We must not lose the opportunity we have in JTPA to build public confidence through demonstrations of accountability and performance. The need to perfect better systems and measures must proceed rapidly and with urgency.

#### SERVICES TO YOUTH

I would like to turn to the area of youth services. There exists concern that most SDAs are not meeting the 40% expenditure requirement for services to youth. As you are aware, JTPA requires that 40% of JTPA expenditures be on services to youth. Unlike provisions that existed under CETA that tracked services to youth as a percent of persons served, JTPA measures youth services in terms of expenditures. The true effect of this standard is to effectively require that 50-60 percent of all persons served be youth. This is due to the oftentimes lower unit cost for youth programs. Whether or not you view this effect as desirable, I would like to raise two observations regarding the meeting of this requirement.

The impact of restrictions on work experience are more significant in JTPA than restrictions on needs-based payments. As difficult as it may be to expect adults to enter a training program for a future benefit of employment and higher wages, it is a more difficult proposition to expect youth to associate with such deferred rewards. In order to encourage youth to participate in a training program, it is often essential that something immediate, tangible, specific and of value be offered. Severely limited now in the ability to pay stipends, and with severe restrictions on work experience, the requirement to spend 40% of all monies on youth (which may mean services to 50-60% of all persons enrolled) poses a demanding task. On-the-job training programs are also often limited in their ability to serve youth due to state laws prohibiting youth under age of 18 or 19 from working in a variety of occupations. While Section 205 of JTPA describes a variety of exemplary programs available for youth, these are limited in many cases to in-school youth.

JTPA limits many of the services strategies that are appropriate for serving youth, particularly younger youth and youth who are out of school. The combination of limited program strategies, along with a requirement that (effectively) 50-60% of all persons served by youth, is the primary reason why SDAs have in many cases fallen short of meeting required youth service levels. This shortfall does not reflect a lack of priority or absence of concern for serving youth. Services to young persons are at or near the top of the priority list for virtually every local community, and they are not at the top of that list simply because JTPA establishes a target; it is because youth experience the highest rates of unemployment and communities are genuinely concerned about the future of their young people.

If we are to effectively serve youth with quality programs, and if JTPA is to reach its youth expenditure targets, some adjustments must be made. This issue needs to

be examined not simply from the standpoint of whether or not we have adequately provided PIC's and service delivery areas the tools to effectively serve youth—both at the level the Congress has intended and to the level to which local areas aspire.

A second issue regarding the 40% requirement concerns the cost of data collection. Administrative funds are severely restricted in JTPA. The administrative cost and complexity of tacking expenditures for youth is considerably greater than tracking persons. It is a relatively easy matter to count the number of persons aged 21 and under as a percent of total enrollments. However, in training programs which may serve persons both over and under the threshold age of 21, it is terribly complex to track each individual cost associated separately with each individual participant. The Department of Labor's position has been that the pro-rating of program costs proportionately to persons aged 21 and under does not meet the requirements of the Act. Unless the pro-rating of common program costs is sanctioned by JTPA and the Labor Department, tracking this requirement will absorb undue amounts of limited administrative funds and expose SDAs to potential questioned costs.

#### AUDITS AND LIABILITIES

Questions surrounding audits and liabilities, as I believe this Committee is well aware, preoccupied much of the management energy and the concerns of the CETA system during its final years. This focus arose due to the degree of financial exposure that local governments and training operators experienced for what were often minor violations of procedural rules and regulations.

It would be a mistake of great consequence to return to the point where the dominant performance objective of Service Delivery Area administrative entities is the minimization of exposure to financial liability. When management energy is preoccupied with such exposure, and when the key definition of local program success becomes the avoidance of financial liability, we have lost much of what JTPA aspires to.

JTPA is now approaching in this next year the period in which the results of initial audits conducted under JTPA will be seen. JTPA is at the threshold of a similar preoccupation with audit and liability issues and concerns as existed under CETA. States, in efforts to protect their financial resources, and in the face of ill-defined Federal guidance as to what are allowable expenditures, are pursuing a protective and defensive approach. What is an allowable cost in one state may be a disallowed cost in another. There are no national audit standards for allowable costs under JTPA. There can be 50 separate interpretations in 50 separate states. The passage in 1984 of the Single Audit Act has left auditors throughout the system with questions as to its application to JTPA. The Labor Department's position that governors can proceed with great flexibility and the Federal government will not later question such interpretations, is believed by virtually no one at the state and local level—and with good cause.

The Department of Labor has done a great service to the JTPA delivery system by not hamstringing the system with the needless, overbearing, cumbersome and petty regulations that characterized CETA; but there are key areas in which greater basic guidance is needed—one of the most important of these is that of audits and liability.

#### PARTICIPANT INCOME SUPPORT

One of JTPA's most controversial features is its virtual elimination of stipends, and the debate as to its positive and negative effects on program delivery. I would like to address this issue for a moment from an operational perspective.

It should be obvious that absent any means of income support, it is virtually impossible for an individual to participate for any extended duration in skills training activity. However, it is also true that the question of income support is not synonymous with stipends.

Many Service Delivery Areas, such as San Diego, pay no stipends whatsoever, but rather provide a limited range of supportive services. An initial program adjustment to the elimination of stipends was, most immediately and most often, to engage in more extensive outreach efforts, attempting to find persons who could survive in training without income support provided by the program. This was contributed in part to the high levels of service to public assistance recipients and also shows up in services to unemployment insurance recipients. This response required the least amount of programmatic change.

However, in many cases, that recruitment effort has either been insufficient to locate the number of persons sought, or once having reached the most readily available persons, the basic dilemma resurfaces.



A second response is to seek alternative means of income support to participants. This may take the form of securing part-time jobs matched to part-time training; increased utilization of combined on-the-job training and classroom training; training conducted at off hour times; and intensifying instruction in order to shorten the calendar length of training.

These adjustments are generally desirable and can enable service to a number of persons. But they cannot address the problem completely. If our policy objective is to have a system accessible to all persons eligible (and some will suggest that this may not be our objective), then something more needs to be done. To simply suggest that motivation by itself is sufficient to sustain an individual in a longer term training program is at best naive.

One potential solution lies in establishing a more flexible system than is currently in effect—one that provides increased discretion to the local Service Delivery Area and the local PIC.

I am not suggesting a return to stipends as we traditionally have known them. Simple income transfers fail to reinforce incentives attached to participant performance. But the flexibility to establish participant "earned incentive payments", where a participant can earn an amount for achievement of training objectives (e.g., attendance levels, competencies attained, learning tasks or levels satisfactorily completed, etc.) can provide a source of in program earned income that is associated with the achievement of training objectives. Associated with training competencies, such costs should be chargeable as a training cost. It is unclear now as to whether such systems are allowable under JTPA and how they are counted. This is only one example of what may be a variety of alternative approaches.

If, in fact, what we care about is the total cost per person to be served, then we should be concerned less at the national level about defining rules on stipends, or limitations on support services (or even administration costs), and provide increased flexibility to local areas to mount what is an appropriate local program design, within the cost performance standards which have been established.

#### DISPLACED WORKERS

I would like to offer some observations regarding the underexpenditure of Title III Displaced Workers Funds.

Title III funds do not flow by formula to the local level. Twenty-five percent of Title III funds are held at the Federal level. At the state level, the remaining seventy-five percent is distributed through a variety of approaches. These range from state operated programs to application processes in which locals may apply for funds as plant closures or mass layoffs occur.

The mechanism of local application for funds is time consuming. Waiting to apply for funds when a plant closure is imminent obviously impedes the ability to quickly mount programs. Commitments have to be hedged as there is not certainty of funding. Particularly critical with regard to displaced workers is the importance of involving the workers to be laid off as soon as is possible in a placement or retraining effort. Pre-intervention activities, which are critical to effective displaced worker programs, are impeded when there are no funds available to support such activities. The longer the time delay for funds to arrive after closure or layoff, the fewer workers who will likely be involved in training.

There also lies some difficulty in the definition of displaced worker. Many states have viewed displaced workers primarily as persons unemployed from major plant closures or mass layoffs of significant size. While long term unemployed persons are eligible under Title III, the tendency to focus principally on plant closures has handicapped the ability of many rural areas to be as fully active in Title III as might be the case. Often in smaller rural communities there is no single, major plant closure, but rather the erosion of a particular industry—which may be characterized by small business—over time.

The requirement for matching funds is also sometimes a difficult proposition at the local level. Difficulty often lies in quickly being able to assemble commitments for matching funds sufficient to support program applications.

A better understanding as to the Congressional intent with regard to service to long term unemployed persons through Title III, coupled with a more direct flow of some portion of Title III funds to local areas with significant numbers of displaced workers, and some relief from the level of matching funds currently required, would speed the implementation of this program.

## SUMMARY

The last thoughts I wish to leave with you as you proceed through JTPA oversight is the urging, in the strongest of terms, to preserve and expand upon local flexibility and discretion. A key to maintaining business, local elected official, and community support is to keep their roles meaningful and not to erode local decision making authority. JTPA is and will succeed based on the strength of the local partnerships. Those partnerships are to be encouraged and allowed to flourish. The key to this continued development will be the degree of flexibility provided at the local level to assemble the most effective program.

Thank you again for the invitation to testify

**Mr. MARTINEZ.** Mr. Moore, thank you for your testimony. It is very enlightening and I think that I would like to have some further conversation with you.

You are in San Diego, right—

**Mr. MOORE.** Yes.

**Mr. MARTINEZ** [continuing]. So you are not too far from my district in Los Angeles. Of all of the things you have suggested—you hit on one thing that is of, I think, vital interest to us and that is performance with integrity. You almost laid out a specific criteria for program performance. I would like to get a little elaboration on that in written communication with us and I will probably talk to you further on the phone.

At this time, because we are going to be having a series of votes on the floor, I would like to conclude this hearing, and I would like to request unanimous consent for two additional JTPA studies to be included in the hearing record. The first is the GAO study conducted at the request of Senator Kennedy, which was referred to us earlier; and the second is the study conducted at the University of Chicago.

[The GAO study for Senator Edward M. Kennedy follows:]



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20348

HUMAN RESOURCES  
DIVISION

April 22, 1985

B-215744

The Honorable Edward M. Kennedy  
Ranking Minority Member  
Committee on Labor and  
Human Resources  
United States Senate

Dear Senator Kennedy:

Subject: Concerns Within the Job Training Community  
Over Labor's Ability to Implement the Job  
Training Partnership Act (GAO/HRD-85-61)

As your office requested, we are providing you with information on the Department of Labor's role in implementing the Job Training Partnership Act (JTPA) and the potential impact a reduction-in-force (RIF) and reorganization had on its ability to carry out that role. Because of the relative newness of the JTPA program and the evolving nature of Labor's and the states' roles in administering it, we concentrated our efforts on obtaining the views of members of the job training community<sup>1</sup> as to the potential impact of these actions. These views were their perception of Labor's ability to implement the act, and as a consequence, could not be independently verified by our staff.

We identified some concerns within that community over Labor's ability to adequately implement JTPA. Specifically, these concerns relate to (1) the potentially adverse impact of a May 1984 RIF and reorganization within the Employment and Training Administration (ETA) on staff morale, program expertise, and efficiency of program implementation and (2) the lack of JTPA program guidance to the states.

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<sup>1</sup>This term is used throughout this report to collectively describe representatives of employment and training organizations, including Labor's Employment and Training Administration, Office of Inspector General, and regional offices; the states; and public interest groups.

205044

The results of our work are summarized below, and enclosures I through VI provide information on ETA staffing levels for selected periods between fiscal years 1980 and 1986; a summary of ETA personnel actions associated with the May 25, 1984, RIF; and organizational charts of each ETA administrative office before and after the reorganization.

#### BACKGROUND

On October 1, 1983, JTPA (Public Law 97-300) replaced the Comprehensive Employment and Training Act of 1978 (CETA) as the nation's primary federally funded employment and training program. Similar to its predecessor, JTPA provides remedial education, training, and employment assistance to unskilled and economically disadvantaged individuals primarily through a locally based program delivery system. Unlike CETA, however, JTPA reduces the Department of Labor's involvement in the program by shifting many administrative and oversight functions to the states. ETA, which is responsible for administering JTPA at the federal level, has interpreted its role to be one of providing broad policy guidance and oversight and has implemented federal regulations that give the states broad authority to interpret most provisions of the law. Consistent with these reduced responsibilities, in February 1984 ETA notified its employees of plans to reduce the number of its personnel. It also decided to reorganize its national office concurrent with the staff reduction.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit efforts were to develop information concerning how ETA was carrying out its responsibility for the JTPA program and to assess the potential impact a RIF and reorganization may have had on ETA's ability to carry out those responsibilities. In addition, we obtained the views of members of the job training community as to the potential problems associated with these actions.

Our work was conducted at Labor's headquarters in Washington, D.C., where we spoke with officials from ETA and the Office of Inspector General (OIG) and reviewed available documents. We also reviewed the JTPA legislation, including the legislative history and Labor regulations and field memorandums, to obtain a better understanding of Labor's responsibilities under the act. In addition, we developed detailed information on ETA staffing levels before and after the May 1984 RIF. We also spoke with ETA regional officials in Atlanta, Dallas, Denver, and Philadelphia and with state JTPA officials in Colorado, Georgia, Pennsylvania, Texas, and Virginia. The four ETA regional locations

and four of the five states were selected because each of the Labor regional offices and the state JTPA offices were conveniently located within or near the same cities. The fifth state, Virginia, was selected because of its proximity to Washington, D.C.

We also met with officials from four national organizations--the National Alliance of Business, the National Association of Counties, the National Conference of State Legislatures, and the National Governors' Association--and obtained their views on the impact of ETA's RIF and reorganization.

Our work was conducted initially during the period April through October 1984 and later updated, for the most part, during February and March 1985. It was performed in accordance with generally accepted government audit standards.

#### ETA RIF AND REORGANIZATION

Labor has been in a posture of reducing its staffing levels within ETA since the end of fiscal year 1981, at which time the staff level was 3,326--1,302 in the national office and 2,024 in the regional offices. For the most part, these reductions can be attributed to the administration's 1981 push to reduce the size of federal operations, the phasing down of the former CETA program, and the reduced federal role under JTPA. In March 1983, the Assistant Secretary for ETA testified before the Subcommittee on Labor, Health and Human Services, and Education, House Committee on Appropriations, that an internal management study had shown that about 2,000 individuals were needed to carry out the agency's responsibilities. ETA requested 2,009 positions for fiscal year 1984. During fiscal year 1984, however, ETA proposed further staff reductions, through a RIF, to a level of 1,824 positions. ETA budget submissions for fiscal years 1985 and 1986 included further staff reductions. For fiscal year 1985, ETA requested \$111.1 million to support 1,764 positions and for fiscal year 1986, \$105.3 million to support 1,416 positions--848 for the national office and 568 for the regional offices. (See encs. I, II, and III.)

ETA's RIF, effective May 25, 1984, was aimed at reducing its congressionally established staffing level from an authorized staffing level of 2,009 to 1,824, a reduction of 185 positions. ETA also reorganized its national office concurrent with the RIF in order to minimize disruption of operations and attain stability as soon as possible. The national office reorganization was based on informal discussions and negotiations between the Assistant Secretary and heads of ETA's administrative offices. ETA had previously reorganized its regional offices on

October 23, 1983, based on the recommendations of a formal task force consisting of five ETA staff members. The primary purpose of this reorganization was to reflect the change in regional responsibilities from grants management to program monitoring.

#### RIF

Although ETA's May 1984 staff reduction was to reduce staff to a level of 1,824 positions, other personnel actions associated with the RIF reduced ETA's staffing level to 1,720 as of June 23, 1984. This represented a reduction of 104 positions below its proposed level and 289 positions below the level of 2,009 authorized by the Congress. In total, 727 personnel actions (485 at headquarters and 242 at regional offices), including retirements, separations, downgrades, and transfers, were associated with the RIF. (See enc. IV.)

Of the 121 retirements associated with the May 1984 RIF, 61 were early retirements authorized by the Office of Personnel Management. These retirements helped to lessen the adverse impact of the RIF; for example, 51 employees facing potential separation were retained, 44 facing demotion were not demoted, and 3 facing geographic transfers were not transferred. Nonetheless, 100 employees ultimately were separated, and 218 were demoted. Of those separated, 52 were offered downgraded positions but declined. Of those downgraded, 63 positions were downgraded by three or more grade levels. The following table provides additional details on the results of staff downgrades.

Table 1

Number of Staff Affected by Downgrades  
on May 25, 1984--ETA National and Regional Offices

GS level before RIF	Number of staff reduced by:				Total
	1-2 grade levels	3 grade levels	4-5 grade levels	over 5 grade levels	
15	10	1	3	1	15
14	21	3	1	1	26
13	47	-	11	7	65
12	13	6	7	6	32
11	5	-	9	2	16
9	2	-	2	-	4
8	2	2	-	-	4
7	14	-	-	-	14
6	29	1	-	-	29
5	4	-	-	-	4
4	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
	<u>149</u>	<u>13</u>	<u>33</u>	<u>17</u>	<u>212<sup>a</sup></u>

<sup>a</sup>Total does not agree with the 218 downgrades referred to above and shown in enclosure IV because six employees ultimately declined to accept downgraded positions. ETA did not have information on how to best reclassify these personnel actions.

ETA national and regional  
office reorganization

ETA reorganized its national administrative offices by consolidating its former 71-unit structure into 52 formal organizational units. Reflecting an emphasis on program accountability, the change included the creation of a new administrative office--the Office of Program and Fiscal Integrity--by combining the previous Special Counselor Staff with the audit and closeout functions transferred from the Office of Financial Control and

Management Systems. As a result, ETA now has six (formerly five) administrative offices all reporting to the Assistant Secretary through the Deputy Assistant Secretary. (See enc. V.) The Office of Associate Assistant Secretary for Employment and Training was eliminated with the creation of the Deputy Assistant Secretary position.

In addition, the Office of Strategic Planning and Policy Development, which has responsibilities for research, evaluation, and pilot and demonstration activities on employment-related issues, was reduced from four offices and six divisions to three divisions. This change reflects reduced funding for pilot and demonstration activities, reduced policy formulation responsibilities, and increased state responsibilities under JTPA. The office's research activities are generally directed toward developing new measures and methodologies, such as performance standards and measures for use in future employment-related evaluations; its evaluation efforts are primarily directed toward assessing the operations, results, and effectiveness of the JTPA program. On the other hand, pilot and demonstration projects are directed toward serving special groups, such as the handicapped, displaced homemakers, minority youth, and individuals with limited English-speaking ability.

The shift in emphasis is demonstrated by the reduction in the amount of funds going for pilot and demonstration projects. In fiscal year 1983 over \$50 million went for such projects. In contrast, for program year 1985 ETA plans to fund pilot and demonstration projects at about \$4.8 million. For program year 1986, ETA requested no funds for pilot and demonstration projects and will use most of the research and evaluation funds for evaluation. The following table shows the funding available for research, evaluation, and pilot and demonstration projects for 1983 through 1986.



Table 2

Funds Available for Pilot and Demonstration (P&D)  
and Research and Evaluation (R&E) Programs  
FY 1983 through FY 1986

	<u>P&amp;D</u>	<u>R&amp;E</u>	<u>Total</u>
FY 1983	\$50,656,000	\$14,288,000	\$64,944,000
TY <sup>a</sup> 1984	15,973,000	9,142,000	25,115,000
PY <sup>b</sup> 1984	21,180,000	12,190,000	33,370,000
PY 1985	20,698,000 <sup>c</sup>	12,190,000	32,888,000
PY 1986 <sup>d</sup>	-	15,190,000	15,190,000

Note: Above information is based on budget authority for years indicated.

<sup>a</sup>The transition year (TY) refers to the first 9 months of the JTPA program--October 1, 1983, to June 30, 1984.

<sup>b</sup>JTPA operates on a program year (PY) cycle starting on July 1 and ending on June 30 of the following year.

<sup>c</sup>P&D funds for PY 1985 could be reduced to \$4,823,000 contingent on congressional action on a proposed Labor rescission of \$8,569,000 and a reduction of \$7,306,000. These reductions represent Labor's response to a congressional requirement for limitations on consulting services.

<sup>d</sup>Budget Request for PY 1986.

In addition, several other ETA programs and functions, including the National Occupational Information Coordinating Committee, the Bureau of Labor Statistics, and the Disabled Veterans Outreach Program, were transferred elsewhere in Labor.

ETA's October 1983 regional office reorganization resulted in four administrative units reporting directly to the regional administrator; previously five units reported to the regional administrator. (See enc. VI.) The new structure includes the office of

--Administrative and Management Services,

--Job Training Programs (formerly the Office of Comprehensive Employment and Training Act Operations and CETA Support),

--The United States Employment Service (formerly the Office of Job Service), and

--Unemployment Insurance.

As part of the reorganization, the mission and function statements for the first three organizations above were revised to reflect their reduced role under JTPA and the shift of many administrative and oversight functions to the states. Unemployment Insurance was not affected by JTPA, and its responsibilities remained the same. Regional offices for the Job Corps and the Bureau of Apprenticeship and Training were not included in the reorganization because they have separate regional ETA operations.

#### JOB TRAINING COMMUNITY CONCERNS WITH ETA RIF

Representatives of the job training community have expressed concern that certain problems may surface as a result of the May 1984 RIF. Their comments reflect the opinion that the staff reductions have created a situation where ETA now faces a number of potential problems in carrying out its JTPA responsibilities, including

--low staff morale,

--lost program expertise among ETA staff, and

--lost program efficiency and program delays.

#### Low morale

Concerns about low morale among the ETA staff were expressed by both the officials of public interest groups and by senior ETA officials at headquarters and in the regions. One ETA official said that employees think ETA has no long-term commitment to them, so they have no commitment to ETA. Staff fears of another RIF were noted by three ETA officials.

In later interviews with various officials, we were told that morale in ETA has been shattered because of the continuing fear of RIFs and downgrades. Two officials in national organizations stated that ETA employees appeared to be more worried about keeping their jobs than they were about doing them. The

head of one ETA office stated that the fear of another RIF has been increased by a recent proposal in Labor's fiscal year 1986 budget request to eliminate the Job Corps and to reduce staff in 3 of the 10 regional offices.

### Lost expertise

Concerns about reduced levels of expertise among the ETA staff were expressed by officials of three national organizations and three states we visited as well as the heads of two ETA administrative offices. An official of one national organization said that ETA no longer has staff capable of giving technical assistance or information on such issues as what constitutes a valid cost under the act and how such costs should be allocated. The official said that ETA may not have expertise or staff necessary to develop the technical and complex performance standards required by the act. A state official said that while the ETA staff remaining after the RIF are well-meaning, they are not yet knowledgeable in their new roles.

The head of one ETA administrative office said that many staff remaining after the RIF did not have the technical backgrounds needed to meet the requirements of their new positions, a number of young staff members with strong technical backgrounds left ETA, and the reduction eliminated some of ETA's best employees. Many of those remaining are nearing retirement age and may not have the desire to learn new skills.

In order to gain some perspective on the effect of the RIF on staffing size and makeup, we compared the staffing records available for two points in time--December 31, 1983, and September 30, 1984--for the two ETA offices responsible for review, evaluation, and research and development activities and for job training programs. The size of the professional staff at the evaluation office had been significantly reduced--from 70 to 46 persons--during this period, and 19 of the 46 staff members remaining after the RIF were new to that office, while 27 had previously worked there. Fourteen of the 46 remaining professional staff members were eligible for retirement within 5 years, including 7 of the 27 staff members previously employed in that office.

At the job training programs office, the professional staff size had been reduced from 156 to 126. Of these, 27 were new to that office, and 99 were previously with that office. Of the 126 professional staff members remaining after the RIF, 56 were eligible for retirement within 5 years, including 44 of the 99 previously with that office.

The following table summarizes this information:

Table 3

	Staff as of Dec. 31, 1983	Staff as of Sept. 30, 1984		<u>Total</u>
		<u>New office employees</u>	<u>Former office employees</u>	
Office of Strategic Planning and Policy Development	70	19	27	46
Eligible to retire within 5 years		7	7	14
Office of Job Training Programs	156	27	99	126
Eligible to retire within 5 years		12	44	56

Program inefficiency and delay

Concerns about program efficiency and timeliness were expressed by officials of the four national organizations, one ETA administrative office, and three regional offices. The head of one ETA administrative office said that the reorganization and later reassignment of staff members had affected staff performance. However, while he pointed out that immediately after the RIF about 80 percent of the staff in one office were in positions for which they had no training or experience, the long-term impact was not as severe as anticipated. We were recently informed by this official that after providing the staff with internal and external training and expanding staff expertise by hiring additional personnel, the staff was now functioning at a satisfactory level. In recent follow-ups with officials from four national organizations, we were told that they are still encountering difficulties and delays in obtaining reports, information, and answers from ETA.

The effects of the RIF on regional operations were largely unknown from the perspective of regional officials because they were unclear about their future role. One regional official believed his reduced staff would be sufficient if ETA's oversight role is limited, as currently designed, to determining

whether states have appropriate JTPA systems and processes in place.

CONCERNS WITH ETA'S LIMITED  
POLICY GUIDANCE

Representatives of the job training community have expressed concern that although the states have been given primary responsibility for program administration, they have received only limited policy guidance from ETA. At the same time, state programs are subject to close scrutiny through audits and evaluations by Labor's OIG, ETA, and our Office.

In addition to the act and the regulations implementing JTPA, ETA has provided some limited guidance to the states through policy letters published in the Federal Register. For example, in March 1984, ETA provided the states guidance on implementing summer youth programs. ETA has also issued monitoring guides which it developed to assist its field staff in overseeing how the states are carrying out their responsibilities. These guides address specific areas, including eligibility, allocation of costs between training and administration, cash and financial management, performance standards, and due process. ETA had planned to develop an audit monitoring guide but decided that such a guide could lead to a back door approach to regulating how the states operate the program. Instead, Labor is relying on the OIG, which must determine the adequacy of each state's audit coverage. In this regard, we noted that the OIG plans to use the Office of Management and Budget's January 11, 1985, revision to Circular A-102, Attachment P, Compliance Supplement, which includes the major compliance features for JTPA. The Supplement generally follows the requirement specified in the act.

The job training officials we contacted indicated that a major concern among state JTPA officials is with audits and the liability associated with any questioned costs. They are concerned that the program policies they established may be later questioned or challenged during the audit and evaluation process. They felt that this could result in policies being formulated or revised based on the results of audits and evaluations. This situation could result in program costs being questioned or disallowed, with the states being held accountable for the costs incurred. They also pointed to the lack of ETA guidance and direction to the states in these areas and the need for such assistance.

Furthermore, job training officials have indicated that some states' concerns over the lack of guidance and potential

liabilities have made them very cautious about trying innovative or creative job training techniques as envisioned in the act; these concerns may inhibit the coordination of services between employment, training, and educational programs which JTPA encourages. For example, ETA has not provided guidance for recording and documenting the sharing of funds or in-kind services between JTPA programs and state and local social service programs providing similar or related activities. In the absence of such guidance, there is concern among state and local job training officials that the propriety of such transactions, or the associated documentation, may be questioned during the audit process.

- - - -

As requested by your office, we did not obtain written comments from the Department of Labor. However, a draft of the report was submitted to Labor officials for review and oral comment and we have incorporated their views where appropriate.

We are sending copies of this report to the House Committee on Education and Labor, the House and Senate Committees on Appropriations, and other interested parties, including Congressman Frank R. Wolf.

Sincerely yours,



Richard L. Fogel  
Director

Enclosures - 6

ENCLOSURE I

ENCLOSURE I

EMPLOYMENT AND TRAINING ADMINISTRATIONSTAFF POSITIONS AT END OF YEAR

	<u>National office</u>	<u>Regional offices</u>	<u>Total</u>
End of fiscal year 1980	1,206	2,146	3,352
End of fiscal year 1981	1,302	2,024	3,326
End of fiscal year 1982	1,015	1,424	2,439
End of fiscal year 1983	955	1,274	2,229
End of fiscal year 1984	1,105	888	1,993
End of fiscal year 1985 (estimated)	994	801	1,795
Budget request for fiscal year 1986	848	568 <sup>a</sup>	1,416

<sup>a</sup>The staff level reduction in fiscal year 1986 is, for the most part, due to the administration's proposals to eliminate the Job Corps, not seek funding for the Work Incentive Program, and consolidate regional operations.

ENCLOSURE II

ENCLOSURE II

ETA NATIONAL OFFICE STAFF LEVELS

	<u>Actual 9/30/83</u>	<u>Actual 9/1/84</u>	<u>Actual 2/28/85</u>
Assistant Secretary for Employment and Training	17	13	15
Office of Financial Control and Management Systems	306	202	206
Office of Program and Fiscal Integrity	—	92	84
Office of Job Training Programs	203	153	153
Office of Strategic Planning and Policy Development	100	58	62
Office of Regional Management	22	20	21
Office of Employment Security	<u>307</u>	<u>213</u>	<u>222</u>
Total	<u>955</u>	<u>751</u>	<u>763</u>



ENCLOSURE III

ENCLOSURE III

EMPLOYMENT AND TRAINING ADMINISTRATIONSTAFF LEVELS - REGIONAL OFFICESOCTOBER 31, 1983, TO FEBRUARY 28, 1985

<u>Region</u>	<u>Actual</u> <u>10/31/83</u>	<u>Actual</u> <u>7/27/84</u>	<u>Actual</u> <u>9/1/84</u>	<u>Actual</u> <u>2/28/85</u>
I	88	77	80	70
II	143	95	97	96
III	143	113	118	116
IV	178	141	143	141
V	221	146	132	151
VI	118	93	93	100
VII	79	65	64	65
VIII	68	68	62	71
IX	131	92	83	102
X	<u>76</u>	<u>57</u>	<u>58</u>	<u>60</u>
Total	<u>1,245</u>	<u>947</u>	<u>930</u>	<u>972</u>

ENCLOSURE IV

ENCLOSURE IV

EMPLOYMENT AND TRAINING ADMINISTRATIONSUMMARY OF RIF ACTIONSMAY 25, 1984

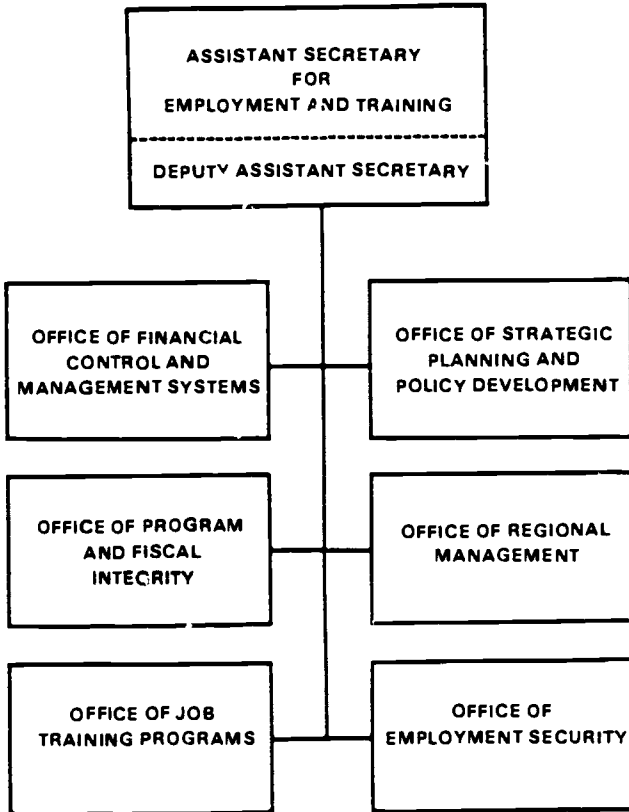
<u>Servicing component</u>	<u>Retirements</u>	<u>RIF separations</u>	<u>Separations due to declinations<sup>a</sup></u>	<u>Downgrades</u>	<u>Reassignments<sup>b</sup></u>
National Office	53	0	21	182	229
Region I	4	0	0	0	0
Region II	16	15	4	3	16
Region III	6	1	0	1	14
Region IV	1	2	7	4	8
Region V	25	21	11	1	6
Region VI	2	0	2	5	5
Region VII	4	2	1	4	3
Region VIII	0	0	0	0	0
Region IX	9	3	2	11	1
Region X	<u>1</u>	<u>4</u>	<u>4</u>	<u>7</u>	<u>6</u>
Total	<u>121</u>	<u>48</u>	<u>52</u>	<u>218</u>	<u>288</u>

<sup>a</sup>Individuals who left ETA after being offered downgrades.<sup>b</sup>Individuals who were reassigned to other organizations.

ENCLOSURE V

ENCLOSURE V

**U.S. DEPARTMENT OF LABOR  
EMPLOYMENT AND TRAINING ADMINISTRATION**

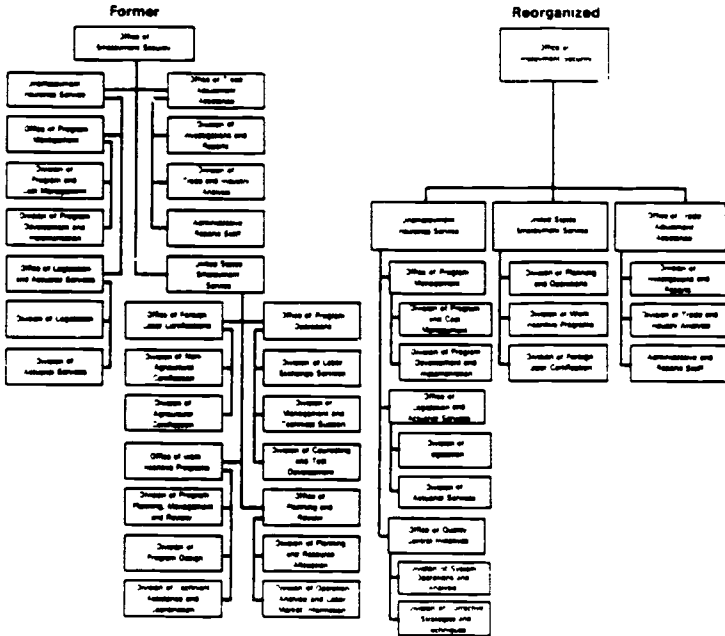


SOURCE: Employment and Training Administration.

ENCLOSURE VI

ENCLOSURE VI

**Employment and Training Administration  
May 28, 1984 Reorganization  
Office of Employment Security**

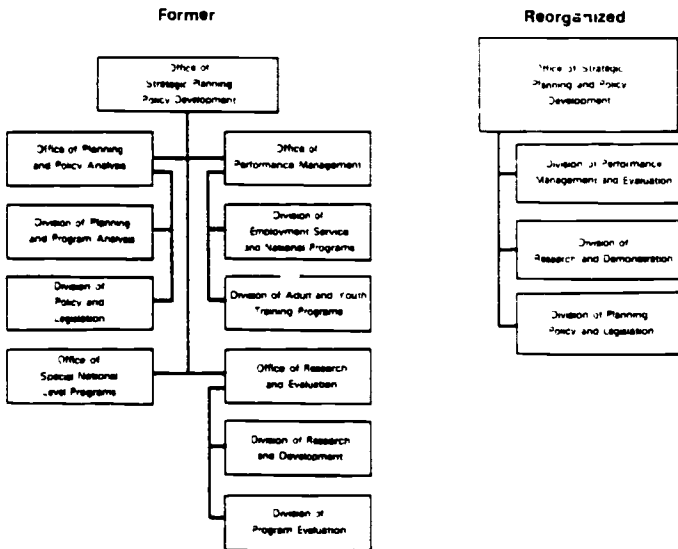


SOURCE: Employment and Training Administration.

ENCLOSURE VI

ENCLOSURE VI

**Employment and Training Administration  
May 25, 1984 Reorganization  
Office of Strategic Planning and Policy Development**

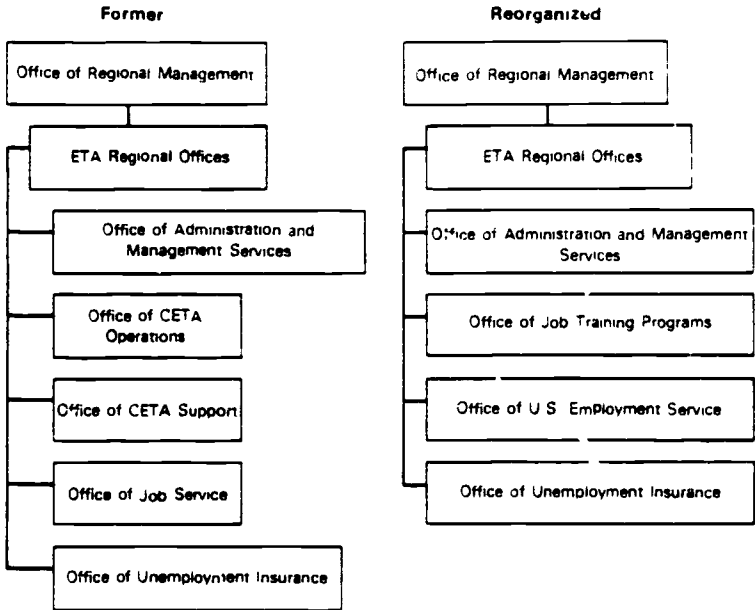


SOURCE: Employment and Training Administration.

ENCLOSURE VI

ENCLOSURE VI

Employment and Training Administration  
October 23, 1983 Reorganization  
Office of Regional Management

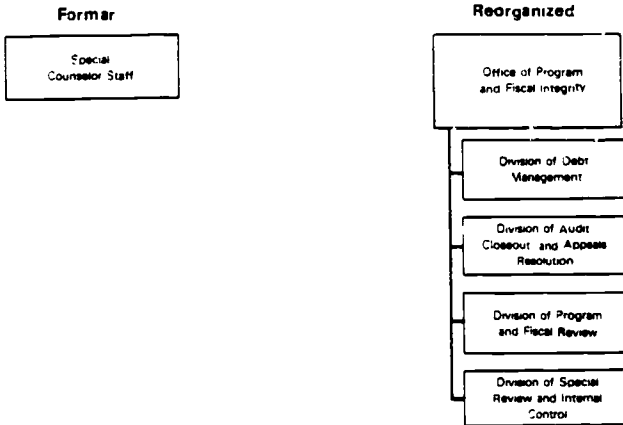


SOURCE: Employment and Training Administration.

ENCLOSURE VI

ENCLOSURE VI

Employment and Training Administration  
May 25, 1984 Reorganization  
Office of Program and Fiscal Integrity

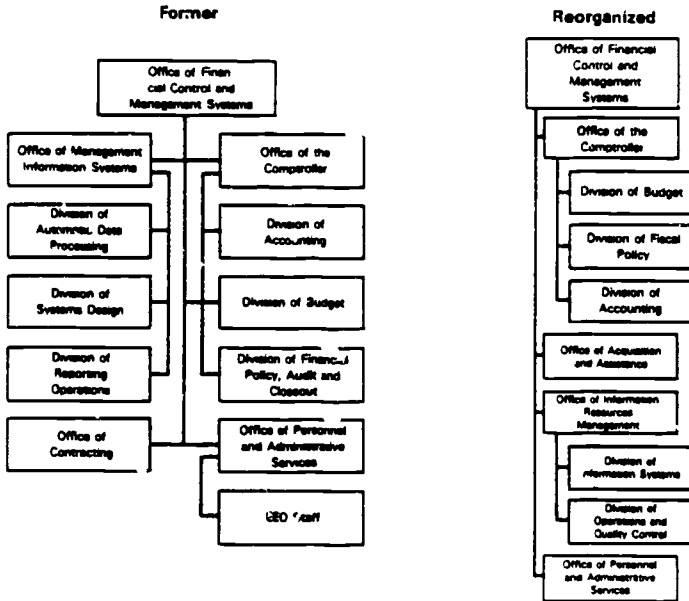


SOURCE: Employment and Training Administration.

ENCLOSURE VI

ENCLOSURE VI

**Employment and Training Administration  
May 25, 1984 Reorganization  
Office of Financial Control and Management Systems**



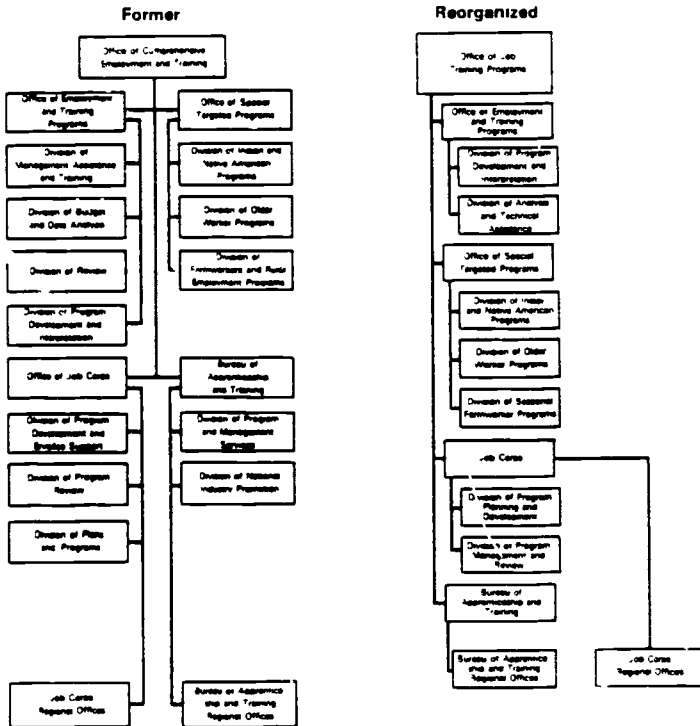
SOURCE: Employment and Training Administration.



ENCLOSURE VI

ENCLOSURE VI

**Employment and Training Administration  
May 25, 1984 Reorganization  
Office of Job Training Programs**



SOURCE: Employment and Training Administration.

[The University of Chicago report follows:]

ILLINOIS UNEMPLOYMENT AND JOB TRAINING RESEARCH PROJECT, UNIVERSITY OF CHICAGO

(March 18, 1985)

THE FEDERAL BUDGET AND SHRINKING RESOURCES FOR JOB TRAINING

Programs contain promises, but budgets provide resources. There are few better measures of national priorities than the analysis of trends in expenditures over time. This study shows the nature of shifts in funds for employment and training programs from the enactment of the Comprehensive Employment and Training Act (CETA) in the early 70s to the proposed budget of the Reagan Administration for the next fiscal year. Since few states and localities provide their own budgets for employment and training, the federal decisions determine the level of resources available to each state and each city.

Our analysis shows that there was a major growth of public resources for employment and training programs from the Nixon Administration to the early Carter Administration, a decline in the late Carter years and a much sharper drop under President Reagan. The budget trends show the impact of the elimination of one major strategy, public service employment, and a reduction of resources for those training programs which remain in operation. All of this occurred in times of growing joblessness. The result, presented in the final section of this report, is an extremely sharp reduction in resources per jobless worker.

With the advent of the CETA program in federal fiscal year 1975, expenditures in the area of job training began at a low level, which is largely accounted for by a "start-up" delay. 1975 marked the peak of a serious recession, but there were positive signs of recovery by the end of the year.

Program expenditures at all levels of government continued to rise until they reached a peak in 1978, the first full fiscal year of the Carter Administration. The economy was fairly strong during this period. Appropriations for federal programs in many areas of government activity increased significantly. The sudden decline in manufacturing industries was yet to come.

The combined effects of inflation and domestic budgetary cuts in the late Carter years led employment training programs into what would become a large six-year decline in expenditures. The Reagan Administration brought more serious cuts than had been witnessed in the past. Federal spending in employment, training and vocational education reached its lowest point in a decade in FY 1984, the year of the Job Training Partnership Act's (JTPA) advent.

At the state and local levels, recent budgets have dramatized the impact of funding cuts. For example, actual job training funding reductions have been experienced in varying degrees within states because of changes in allocation formula. The CETA legislation had contained "hold-harmless" provisions which insured that localities would receive at least 90% of previous year funding each successive year. The JTPA does not contain such a provision. Thus many localities have become subject to dramatic fluctuations in appropriations from year to year. Large cities with high unemployment have experienced special problems.

Our analysis of these spending trends will focus on the following major areas: (1) the overall federal budgetary commitments during CETA and the JTPA, and (2) budget trends in Illinois, a state with one of the nation's highest unemployment rates.

#### Methodological Summary

The budgetary data in this analysis has been collected from a number of sources. The federal expenditure data was provided by the Office of Management and Budget in Washington, D.C.. Expenditure data on the State of Illinois was obtained at the federal level from the U.S. Department of Labor, Employment and Training Administration (DoL-ETA). Illinois expenditure data does not include administrative costs.

Expenditures at all levels of government are presented in federal fiscal years. The federal fiscal year (FY) runs from October 1 through September 30. The CETA program was enacted in 1974 but not implemented or reflected in the federal budget until FY 1975. Similarly, the JTPA became law in 1982 but is not reflected in the budget until FY 1984.

With the advent of the JTPA, a nine month transition year was fiscally authorized to run from October 1, 1983 through June 30, 1984, followed by the first full operating year. The data that we have presented for fiscal years 1985 and 1986 are estimates from the President's budget proposals.

There are several budgetary requirements that have been written into the Job Training Partnership Act. The first is that 90% of funds must be spent to serve the economically disadvantaged. This leaves a 10% "window" through which localities can serve other populations with barriers to employment. Secondly, the JTPA requires that 70% of monies be spent on actual training. In effect, this regulation limits the percentage of funds which may be used for administration (15%) and supportive services (15%). Thirdly, the law mandates that 40% of expenditures be made for serving youth.

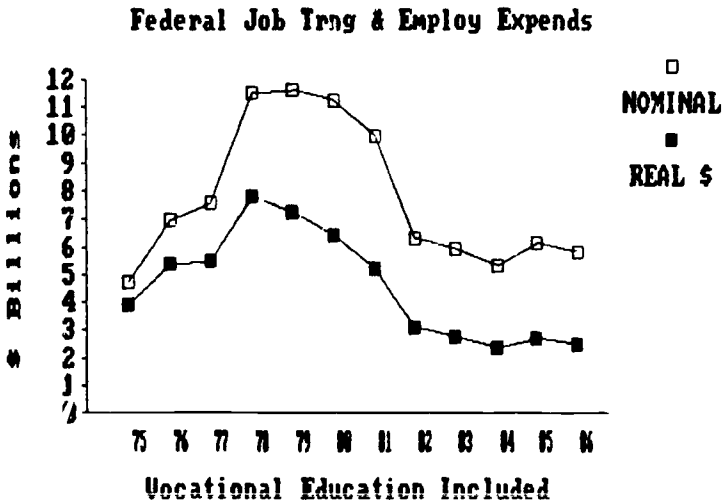
A final note should be made for the purpose of explaining the calculation of current (nominal) dollar and constant (real) dollar figures. We refer to nominal totals as the actual amount of money spent on program activities in current valued dollars in any given year. This calculation differs from real dollar totals. Real dollar calculations adjust current monetary figures to account for the changing value of currency. For the analysis in this chapter, real dollar calculations were made through the use of Gross National Product (GNP) deflators as recorded in the Business Conditions Digest, Department of Commerce, Bureau of Economic Analysis, through the second quarter of 1984. GNP deflator figures for late 1984, 1985, and 1986 which have been used in the analysis are estimates from the Office of Management and Budget in Washington, D.C.

### Federal Spending Trends

The 1973 Comprehensive Employment and Training Act (CETA) became a part of the federal budget in FY 1975. Federal expenditures for training and employment programs and related supportive services began with \$3.4 billion (in constant dollars) during this initial year. Spending peaked in FY 1978 with expenditures totalling over \$7.3 billion (in constant dollars), an increase of 115% over FY 1975.

FY 1979 marked the turning point of federal spending patterns on these programs, initiating a period of continued funding decreases. Expenditures for employment and training programs continued to decline through FY 1984, with the most severe drop in funding taking place in FY 1982 during the most serious recession since the 1930's. FY 1982 was the first full budget year of the Reagan Administration.

FIGURE 1



Committee on Public Policy Studies Graphic;  
Source: U.S. Office of Management and Budget

Figure 1 represents the pattern of federal expenditures in all areas of employment training, including vocational education programs. It can be noted that in FY 1979, outlays totalled over \$11.6 billion, while spending in FY 1983 was \$5.9 billion and estimated expenditures in FY 1986 are projected to be less than \$5.8 billion (in current dollars). In constant value dollars, expenditures dropped 69.3 percent between FY 1978 and FY 1984. Charts 1, 2, and 3 on the following pages document all federal expenditures in the area of employment training (FY 1975-86) in current dollars (Chart 1), constant dollars (Chart 2), and average annual figures (Chart 3).

Legislative Authorization The Job Training Partnership Act, which replaced the CETA program in FY 1983, was authorized as a permanent program yet established no specific funding level for each activity. Instead, "such sums as necessary" are authorized to be appropriated for each program, with the exception of the Job Corps which was authorized for a \$618 million appropriation in FY 1983 and "such sums" thereafter.

Allocations among programs authorized under the Job Training Partnership Act are as follows: "such sums as necessary" are authorized for adult and youth training under title II-A and for national programs under title VI except for Job Corps, which has a separate authorization. Of the amount appropriated each year for titles II-A and IV (except for Job Corps), 93 percent goes to title II-A and 7 percent is reserved for national programs. Of the set-aside for national programs, 5 percent is reserved for veterans' employment and \$2 million each year for the National Commission on Employment Policy. An amount equal to 3.3 percent of the annual title II-A allotment is paid from the national programs' set-aside for Native Americans programs, and a further amount equal to 3.2 percent of the title II-A allotment is paid from the national programs' set-aside for migrant and seasonal farmworker programs. Remaining funds in the national programs' set-aside will be used for national activities administered by the Secretary of Labor, labor market information, and training programs to help federal contractors meet their affirmative action obligations...."Such sums as necessary" also are authorized for summer youth programs under title II-B and for assistance to dislocated workers under title III.

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1. Spar, Karen. "Job Training Partnership Act: Background and Description." Congressional Research Service, Education and Public Welfare Division, Report No. 83-76 EPW, April 19, 1983, pp. 10, 11.

CHART 1 FEDERAL EXPENDITURES FOR EMPLOYMENT & TRAINING IN  
MILLIONS OF CURRENT DOLLARS, FISCAL 1975-1986

(in millions)	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	est. 1985	est. 1986
<b>TRNG &amp; EMPLOY</b>												
Gen. Econ. Trng												
-CETA Y I	1,398	1,817	0	0	0	0	0	0	0	0	0	0
-CETA YII-BC	0	0	1,756	1,992	1,802	2,144	2,231	1,793	2,083	0	0	0
-CETA Y VII	0	0	0	0	0	173	264	232	103	0	0	0
-JTPA Bk. Gvt	0	0	0	0	0	0	0	0	0	1,545	1,894	1,886
<b>TOTAL</b>	<b>1,398</b>	<b>1,817</b>	<b>1,756</b>	<b>1,992</b>	<b>1,802</b>	<b>2,317</b>	<b>2,495</b>	<b>2,025</b>	<b>2,186</b>	<b>1,545</b>	<b>1,894</b>	<b>1,886</b>
<b>Youth Progs</b>												
-Gen. Yth Econ	383	475	575	670	660	721	769	679	750	688	775	775
-CETA YIIVIII	0	0	0	325	1,008	1,139	1,059	418	105	0	0	0
<b>TOTAL</b>	<b>383</b>	<b>475</b>	<b>575</b>	<b>1,195</b>	<b>1,668</b>	<b>1,860</b>	<b>1,828</b>	<b>1,097</b>	<b>855</b>	<b>688</b>	<b>775</b>	<b>775</b>
<b>Job Corps</b>	<b>170</b>	<b>181</b>	<b>202</b>	<b>280</b>	<b>380</b>	<b>470</b>	<b>540</b>	<b>570</b>	<b>563</b>	<b>581</b>	<b>600</b>	<b>548</b>
Disloc. Worker:												
-Pos. Adj. Ret.	0	0	0	0	0	0	8	0	0	0	0	0
-Tnd. Adj. Ret.	0	0	0	0	0	0	0	10	26	37	21	1
-JTPA Y III	0	0	0	0	0	0	0	0	0	135	163	169
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>10</b>	<b>26</b>	<b>172</b>	<b>184</b>	<b>170</b>
<b>Pub. Sect. Econ.</b>												
-Econ. Econ. Ret.	53	0	0	0	0	0	0	0	0	0	0	0
-CETA Y IIO	722	561	496	995	1,756	1,900	1,535	71	0	0	0	0
-CETA Y VI	319	1,086	2,340	4,769	3,285	1,796	852	38	45	0	0	0
<b>TOTAL</b>	<b>1,094</b>	<b>2,447</b>	<b>2,836</b>	<b>5,764</b>	<b>5,041</b>	<b>3,696</b>	<b>2,387</b>	<b>109</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Gr. &amp; Am.icans</b>	<b>0</b>	<b>46</b>	<b>72</b>	<b>134</b>	<b>206</b>	<b>235</b>	<b>262</b>	<b>269</b>	<b>274</b>	<b>321</b>	<b>319</b>	<b>326</b>
<b>Int. Prog.</b>	<b>314</b>	<b>307</b>	<b>361</b>	<b>364</b>	<b>385</b>	<b>395</b>	<b>381</b>	<b>235</b>	<b>289</b>	<b>265</b>	<b>267</b>	<b>60</b>
<b>F-S. Empl. Ser.</b>	<b>482</b>	<b>537</b>	<b>627</b>	<b>653</b>	<b>701</b>	<b>756</b>	<b>804</b>	<b>731</b>	<b>763</b>	<b>778</b>	<b>986</b>	<b>930</b>
<b>Other:</b>												
-Job. Dev. Prog.	22	269	0	0	0	0	0	0	0	0	0	0
-CETA & JTPA	0	0	262	302	548	519	442	337	207	231	207	173
-other	0	125	187	100	96	97	93	81	87	63	67	64
<b>TOTAL</b>	<b>22</b>	<b>394</b>	<b>449</b>	<b>402</b>	<b>644</b>	<b>610</b>	<b>535</b>	<b>418</b>	<b>294</b>	<b>294</b>	<b>274</b>	<b>237</b>
<b>TL TRNG &amp; EMP</b>	<b>4,063</b>	<b>6,204</b>	<b>6,878</b>	<b>10,784</b>	<b>10,833</b>	<b>10,345</b>	<b>9,241</b>	<b>5,464</b>	<b>5,295</b>	<b>4,644</b>	<b>5,299</b>	<b>4,932</b>
<b>EDUCATION</b>												
TI Voc Educ	653	747	693	693	772	863	728	818	633	652	814	858
<b>Total</b>	<b>4,716</b>	<b>6,951</b>	<b>7,571</b>	<b>11,477</b>	<b>11,605</b>	<b>11,208</b>	<b>9,969</b>	<b>6,282</b>	<b>5,928</b>	<b>5,296</b>	<b>6,113</b>	<b>5,790</b>

CHART 2

CONSTANT VALUE DOLLAR  
EXPENDITURE TRENDS IN FEDERAL EMPLOYMENT AND  
TRAINING PROGRAMS, 1975-1986

TRAINING AND EMPLOYMENT

(In millions)	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	est. 1985	est. 1986
<b>Dom Empl Prog</b>												
-CETA Y I	1382.0	1397.0	0	0	0	0	0	0	0	0	0	0
-CETA YII-EC	0	0	1272.0	1382.2	1124.6	1271.0	1165.2	872.6	976.5	0	0	0
-CETA Y VII	0	0	0	0	2.5	98.3	137.9	112.0	48.3	0	0	0
-JTPA Dis. Act	0	0	0	0	0	0	0	0	0	688.1	838.7	812.9
<b>TOTAL</b>	<b>1382.0</b>	<b>1397.0</b>	<b>1272.0</b>	<b>1382.2</b>	<b>1127.1</b>	<b>1370.3</b>	<b>1303.1</b>	<b>982.6</b>	<b>1024.8</b>	<b>688.1</b>	<b>838.7</b>	<b>812.9</b>
<b>Youth Progs:</b>												
-Dom Yth Empl	216.0	265.4	416.0	454.0	411.9	414.0	401.6	330.0	251.6	316.9	339.9	334.1
-CETA YIYVIIII	0	0	0	236.4	679.1	654.0	553.1	383.7	49.2	0	0	0
<b>TOTAL</b>	<b>216.0</b>	<b>265.4</b>	<b>416.0</b>	<b>690.4</b>	<b>1091.0</b>	<b>1068.0</b>	<b>954.7</b>	<b>713.7</b>	<b>300.8</b>	<b>316.9</b>	<b>339.9</b>	<b>334.1</b>
<b>Job Corps</b>	<b>148.6</b>	<b>139.2</b>	<b>146.4</b>	<b>190.1</b>	<b>237.1</b>	<b>269.9</b>	<b>282.0</b>	<b>277.7</b>	<b>263.9</b>	<b>262.5</b>	<b>263.2</b>	<b>226.2</b>
<b>Disloc. Worker:</b>												
-Dom Disj Act	0	0	0	0	0	0	4.2	0	0	0	0	0
-Fed Disj Act	0	0	0	0	0	0	0	4.9	12.2	16.7	9.2	.4
-JTPA Y III	0	0	0	0	0	0	0	0	0	61.0	71.5	72.0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4.2</b>	<b>4.9</b>	<b>12.2</b>	<b>77.7</b>	<b>80.7</b>	<b>72.3</b>
<b>Pub Sect Exp:</b>												
-Comm Exp Act	43.0	0	0	0	0	0	0	0	0	0	0	0
-CETA Y IIO	397.3	431.6	379.5	675.4	1075.9	1090.9	801.7	24.6	0	0	0	0
-CETA Y VI	65.9	1450.9	1676.1	2237.2	2890.0	1831.2	645.0	18.5	21.1	0	0	0
<b>TOTAL</b>	<b>506.0</b>	<b>1882.5</b>	<b>2055.7</b>	<b>3512.6</b>	<b>3166.9</b>	<b>2122.1</b>	<b>1246.7</b>	<b>53.1</b>	<b>21.1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Old Americans</b>	<b>0</b>	<b>25.4</b>	<b>22.2</b>	<b>91.0</b>	<b>129.0</b>	<b>134.9</b>	<b>137.4</b>	<b>131.1</b>	<b>128.4</b>	<b>145.1</b>	<b>139.9</b>	<b>140.5</b>
<b>Job Sect Prog</b>	<b>259.8</b>	<b>236.2</b>	<b>261.7</b>	<b>247.1</b>	<b>240.3</b>	<b>226.8</b>	<b>199.0</b>	<b>114.5</b>	<b>125.5</b>	<b>119.7</b>	<b>117.1</b>	<b>25.9</b>
<b>F-S Empl Ex-</b>	<b>398.7</b>	<b>412.1</b>	<b>454.5</b>	<b>643.3</b>	<b>437.5</b>	<b>434.1</b>	<b>419.9</b>	<b>256.2</b>	<b>257.7</b>	<b>251.6</b>	<b>432.5</b>	<b>400.9</b>
<b>Other:</b>												
-Job Exp Prog	18.2	206.9	0	0	0	0	0	0	0	0	0	0
-CETA S JTPA	0	0	189.9	205.0	342.0	278.0	230.8	164.2	97.0	104.4	98.8	74.6
-Other	0	56.2	125.5	67.9	99.9	95.7	48.6	39.5	40.0	28.5	29.4	27.6
<b>TOTAL</b>	<b>18.2</b>	<b>263.1</b>	<b>225.5</b>	<b>272.9</b>	<b>441.9</b>	<b>253.7</b>	<b>273.4</b>	<b>203.7</b>	<b>137.0</b>	<b>122.9</b>	<b>120.2</b>	<b>102.2</b>
<b>T. TRNG &amp; EMP</b>	<b>3361.2</b>	<b>4772.7</b>	<b>4983.5</b>	<b>7250.1</b>	<b>6764.5</b>	<b>5879.6</b>	<b>4885.3</b>	<b>3662.2</b>	<b>2482.2</b>	<b>2998.5</b>	<b>2324.1</b>	<b>2125.9</b>

VOCATIONAL EDUCATION

<b>T. Voc Educ</b>	<b>6540.2</b>	<b>6574.7</b>	<b>6582.3</b>	<b>6470.4</b>	<b>6481.0</b>	<b>6455.5</b>	<b>6380.2</b>	<b>6398.6</b>	<b>6296.7</b>	<b>6294.6</b>	<b>6337.6</b>	<b>6365.6</b>
<b>TOTAL OVERALL</b>	<b>63,501.4</b>	<b>63,347.3</b>	<b>63,487.0</b>	<b>67,790.5</b>	<b>67,842.3</b>	<b>66,425.1</b>	<b>65,206.6</b>	<b>63,012.0</b>	<b>61,778.9</b>	<b>62,393.1</b>	<b>62,681.1</b>	<b>62,495.7</b>



AVERAGE ANNUAL EMPLOYMENT AND TRAINING EXPENDITURES FOR SELECTED PERIODS  
OF TIME FROM FISCAL 1975-1986,  
IN CONSTANT VALUE DOLLARS

	75 - 77	78 - 80	81 - 83	84 - 86
<b>LONG &amp; EMPLOY</b>				
Non-Sect Prog				
-CETA T I	986.6	.0	.0	.0
-CETA TII-NC	484.3	1,235.9	1,005.1	.0
-CETA T VII	.0	33.9	99.7	.0
-JTPA Dis Act	.0	.0	.0	763.0
<b>TOTAL</b>	<b>1,330.9</b>	<b>1,269.8</b>	<b>1,104.8</b>	<b>763.0</b>
<b>Youth Program:</b>				
-Non Sect Prog	366.3	426.9	361.3	321.4
-CETA TIV-VIII	.0	346.5	268.7	.0
<b>TOTAL</b>	<b>366.3</b>	<b>773.3</b>	<b>630.0</b>	<b>321.4</b>
<b>Job Corps</b>	<b>142.1</b>	<b>232.4</b>	<b>274.6</b>	<b>249.0</b>
Other: Others:				
-Non Sect Act	.0	.0	1.4	.0
-Fed Reg Act	.0	.0	5.7	8.7
-JTPA T III	.0	.0	.0	67.0
<b>TOTAL</b>	<b>.0</b>	<b>.0</b>	<b>7.1</b>	<b>75.7</b>
<b>Pub Sect Emp:</b>				
-Non Sect Act	14.6	.0	.0	.0
-CETA T IIO	462.0	954.0	278.0	.0
-CETA T VI	1,137.0	2,106.1	161.5	.0
<b>TOTAL</b>	<b>1,614.4</b>	<b>2,060.2</b>	<b>440.3</b>	<b>.0</b>
<b>Old Americans</b>	<b>25.2</b>	<b>118.6</b>	<b>132.3</b>	<b>138.9</b>
<b>Wk Inct Prog</b>	<b>252.5</b>	<b>238.0</b>	<b>148.7</b>	<b>85.5</b>
<b>F-0 Empl Ser</b>	<b>482.1</b>	<b>438.3</b>	<b>377.9</b>	<b>386.5</b>
Other:				
-Job Dev Prog	75.0	.0	.0	.0
-CETA & JTPA	63.3	281.7	164.0	88.3
-Other	77.2	61.2	62.9	27.9
<b>TOTAL</b>	<b>215.6</b>	<b>342.8</b>	<b>297.0</b>	<b>116.2</b>
<b>TL TRNG &amp; EMP</b>	<b>4,372.1</b>	<b>6,672.4</b>	<b>3,223.6</b>	<b>2,138.0</b>
<b>EDUCATION:</b>				
T. Voc Educ	9379.1	9482.6	6238.5	6333.0
<b>TOTAL OVERALL</b>	<b>94,912.2</b>	<b>97,156.0</b>	<b>63,682.1</b>	<b>82,471.0</b>

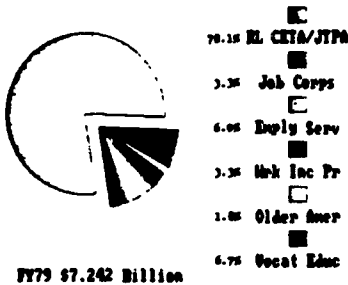
### The Distribution of Spending

CETA and JTPA expenditures have represented varying proportions of the total federal employment and training effort since FY 1975. For the purposes of this analysis, we have defined the total federal employment and training effort to include CETA (JTPA), Job Corps, Employment Services, the Work Incentive Program (WIN), programs under the Older Americans Act, and Vocational Education. In FY 1975, the CETA programs represented 65.2% of total spending in this area. The second largest expenditure item was vocational education which received 13.8% of the federal employment and training dollar that year.

FIGURE 2 (in constant dollars)

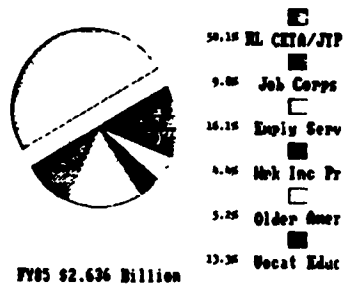
FIGURE 3 (in constant dollars)

Federal Job Trng &amp; Empl Expend



Committee on Public Policy Studies Graphic: 0.05 OTHER  
Source: U.S. Office of Management & Budget TOTAL 100.05

Federal Job Trng &amp; Empl Expend



Committee on Public Policy Studies Graphic: 1.15 OTHER  
Source: U.S. Office of Management & Budget TOTAL 100.05

As Figure 2 illustrates, by FY 1979, the CETA programs had grown to represent over 78% of total federal employment and training spending. Vocational education expenditures had dropped to 6.7% of total outlays, followed by employment services with 6% of total funds.

Figure 3 demonstrates that in FY 1985, the first full program year of JTPA, spending fell and the distribution of federal spending had been altered dramatically. JTPA represented only 50.1% of employment training expenditures in FY 1985. Employment services ranked second on the list, accounting for 16.1% of the federal employment and training dollar. Vocational education spending had also grown in proportion to represent 13.3% of all expenditures in this area. It can also be noted the Job Corps had jumped from 3.3% of spending in FY 1979 to 9.8% in FY 1985.

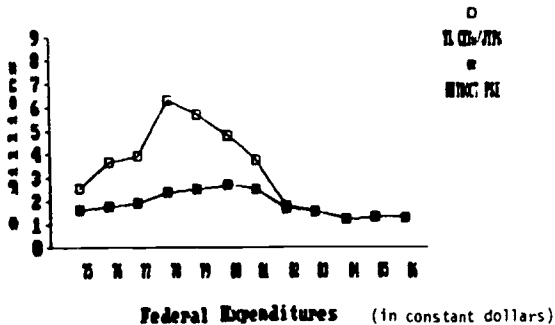
An increase in percentage of total funds expended for general employment training programs, however, does not represent an increase in actual dollar figures. Figures 2 and 3 illustrate that expenditures over this period had declined from \$7.2 billion in FY 1979 to \$2.8 billion in FY 1983, a drop of 61 percent.

#### Public Service Employment and Employment Training Spending

Many critics have charged that the reductions in funding to employment training efforts can be almost completely accounted for by the elimination of the Public Service Employment Program (PSE). It is true that this program, providing direct public service jobs, was a major part of the employment and training budget. PSE programs represented an average annual expenditure of \$3.1 billion (in real dollars) between 1978 and 1980.

FIGURE 4

#### Spending Without Public Service Employ



Committee on Public Policy Studies Graphic.  
Source: U.S. Office of Management and Budget

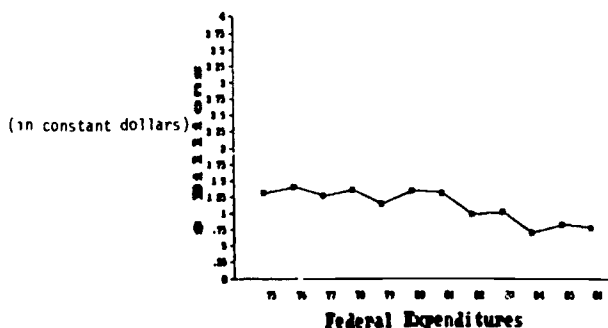
As Figure 4 illustrates, however, patterns of CETA/JTPA expenditures over the eleven year period (1975-86), in real dollars, document an actual decline in spending between FY 1980 and FY 1984 even when the PSE program is taken out. The funding level in FY 1984, less PSE, represents constant dollar expenditures at the lowest level in a decade and 38.4 percent below the peak year.

#### Federal Spending by Program

Within the CETA and JTPA programs, average annual spending patterns documented the redirection of efforts over time. During the period between FY 1975 and FY 1977, average annual expenditures (in constant dollars) show that 38.3% of monies were spent on general employment training programs, 46.5% on public service employment, and 10.5% on youth training. The first term of the Reagan Administration and the implementation of the PSE phase-out, brought a redistribution of spending at the federal level. Between FY 1981 and FY 1983, general employment training expenditures represented 47% of total CETA/JTPA spending, while youth programs and public service employment accounted for 27% and 19% respectively. The federal data on youth program spending used in this analysis, however, does not include youth expenditures under JTPA's title IIA. General employment training spending is shown in Figure 5.

FIGURE 5

#### **General Employment & Job Training Programs**



Committee on Public Policy Studies Graphic;  
Source: U.S. Office of Management and Budget

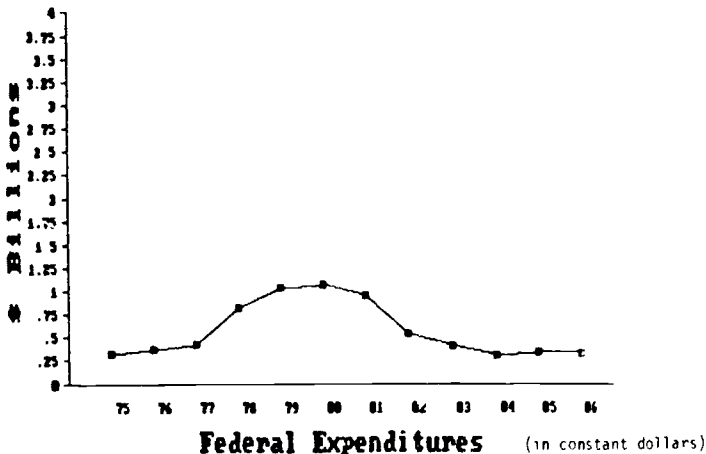
Although general employment training spending increased from 38.3% of the whole between FY 1975-77 to 61.2% (projected) between FY 1984-86, average annualized expenditures (in constant dollars) declined from \$1.3 billion to \$0.8 billion.

Similarly, spending in youth programs has been consistently increasing over the last ten years as a percentage of the whole, from only 10.5% of CETA spending during the FY 1975-77 period to a projected level near 26% of JTPA spending between FY 1984-86. However, in constant dollar figures, average annualized expenditures have declined from \$973 million (FY 1978-80) to less than \$330 million (projected FY 1984-6). The projected spending level of FY 1984-6 is, in fact, less than youth spending a decade earlier. Figure 6 illustrates federal youth program spending trends.

FIGURE 6

### Youth Job Training & Employment Programs

YOUTH JOB TRAINING



Committee on Public Policy Studies Graphic;  
Source: U.S. Office of Management and Budget

During the initial years of the CETA program, joblessness among youth accounted for roughly half of the nation's unemployment of those under the age of 25. Youth programs expanded throughout the 1970's. Expenditures for these programs had grown to over \$0.8 billion (in constant dollars) by FY 1978, a 94.6% increase over FY 1977. Moreover, the 1978 amendments to CETA focused great attention on disadvantaged youth. Spending on youth programs thus continued to rise, peaking in FY 1980 at \$1.1 billion (in constant dollars).

Programs authorized outside of CETA and JTPA have also witnessed dramatic changes in funding levels. For example, the Work Incentive Program (WIN), targeted at individuals collecting AFDC payments, accounted for \$252.5 million (in constant dollars) in average annual expenditures between FY 1975-77. Through the period of FY 1981-83, this figure had declined by 40.7% to \$149.7 million. Projected levels of WIN spending for 1984-86 illustrate an additional decrease of 41.5% to \$87.6 million (in constant 1972 dollars). President Reagan has requested no funding for this program in the FY 1986 budget.

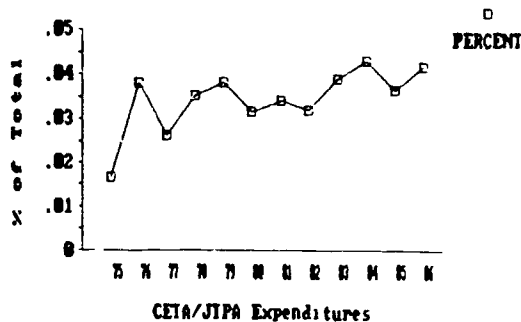
The President's budget also proposes several funding rescissions from the current fiscal year in light of the large sums of money not yet spent. JTPA programs tend to spend money more gradually in part because of performance standards which pay only on completion of training or placement. \$100 million is proposed for rescission in the Summer Youth Employment and Training Program, and \$119.5 million in the Dislocated Workers program. Post-rescission funding levels will doubtlessly be used as a basis for future appropriation decisions.

Each State's allocation goes to the Governor, who allocates 78 percent of it among service delivery areas within the State, according to the same three factors used to determine the State's share. The remaining 22 percent of each State's allotment (will be) divided as follows: 8 percent for State education coordination grants; 3 percent for programs for older workers; 6 percent for incentive awards to service delivery areas exceeding performance standards (unused portions of this set-aside will be used for technical assistance); and 5 percent for Governors to use for auditing, administration, coordination, and special services activities and expenses of the State job training coordinating council.

There has been a substantial overall decline in the amount of federal money granted to Illinois for employment training programs. However, the State of Illinois has consistently been receiving a higher percentage of total federal funds between FY 1975 and FY 1986. Figure 7 illustrates this trend. In FY 1975, Illinois received roughly 2 percent of the total federal employment training dollar. By FY 1986, this figure had increased to approximately 4 percent. The trend doubtless reflects the state's position in recent years near the top of the list of states with the highest jobless rates.

#### Comparison of Illinois to Total

FIGURE 7



Committee on Public Policy Studies Graphics  
Source: U.S. Office of Management and Budget.  
U.S. Department of Labor - ETA

2. Spar, Koren. "Job Training Partnership Act: Background and Description". Congressional Research Service, Education and Public Welfare Division, Report No. 83-76 EPW, April 19, 1983, p.18.

## ILLINOIS EXPENDITURES FOR CETA/ETA PROGRAMS BY FISCAL YEAR, 1975-1986

in millions	1975	1976	1977	1978	1979	1980	1981	1982	1983	3 YRS 1984	est. 1985	Forecast 1986
<b>Gen Exp Trng:</b>												
-Title I	825.966	883.753	861.086	863.099	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-Title II	16.363	26.310	21.095	35.730	0	0	0	0	0	0	0	0
-Title II/AC	0	0	0	0	63.099	65.790	77.202	64.934	89.139	0	0	0
-T VI PSIP	0	0	0	0	0	6.839	9.116	10.951	1.366	0	0	0
-JTPA B11 Gr	0	0	0	0	0	0	0	0	46.977	89.210	87.962	
<b>T1 Gr Ed Tr</b>	40.531	110.947	82.181	96.929	63.499	72.126	86.318	75.787	89.705	66.777	89.210	87.962
<b>Pub Sec Exp</b>												
-T VI Entry	0.361	70.326	32.325	176.913	137.874	61.949	35.636	0	0	0	0	0
-T II	0	0	0	0	75.619	66.081	59.286	0	0	0	0	0
<b>Total PSE</b>	0.361	70.326	32.325	176.913	212.693	128.035	94.922	0	0	0	0	0
<b>JTPA T III</b>	0	0	0	0	0	0	0	0	0	5.322	12.930	6.746
<b>Yth Exp-T IV</b>												
-PSIP	0	0	0	1.789	2.749	3.233	4.095	0	0	0	0	0
-VETP	0	0	0	10.924	26.393	24.627	23.331	7.675	1.216	0	0	0
-VETP-gov	0	0	0	.641	.966	1.193	6.234	.191	0	0	0	0
-SPEEDY B10	0	0	24.200	30.947	31.188	30.844	32.154	36.077	38.994	41.039	8.756	30.784
<b>T1 Youth Exp</b>	0	0	24.200	64.381	61.296	59.897	68.014	37.943	39.210	41.039	8.756	30.784
<b>OTH CETA/JTPA</b>	0	0	.324	.603	3.277	3.140	0	0	0	0	0	0
<b>Other Gov Bt</b>	2.104	0	2.943	3.649	3.178	.067	0	0	0	0	0	0
<b>TL CETA EXPEN</b>	850.996	8186.389	8161.973	8324.415	8343.943	8264.859	8242.054	8113.726	8128.915	8113.338	8110.896	8122.561
*****												
B10 SPEEDY in B4 and B5 JTPA's T III												
----- Constant 1972 Dollars -----												
<b>Gen Exp Trng:</b>												
-Title I	819.824	864.471	844.276	847.107	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-Title II	15.768	27.241	15.291	24.057	0	0	0	0	0	0	0	0
-Title II/AC	0	0	0	0	35.673	37.716	41.321	31.674	41.767	0	0	0
-T VI PSIP	0	0	0	0	0	3.451	4.761	5.561	1.216	0	0	0
-JTPA B11 Gr	0	0	0	0	0	0	0	0	0	30.267	30.469	34.216
<b>T1 Gr Ed Tr</b>	37.531	84.672	59.569	67.152	39.627	41.451	45.081	36.922	42.052	31.265	30.469	36.216
<b>Pub Sec Exp</b>												
-T VI Entry	6.917	54.101	23.611	126.081	85.947	35.545	18.612	0	0	0	0	0
-T II	0	0	0	0	67.191	36.417	34.964	0	0	0	0	0
<b>Total PSE</b>	6.917	54.101	23.611	126.081	132.734	73.971	45.575	0	0	0	0	0
<b>JTPA T III</b>	0	0	0	0	0	0	0	0	0	2.452	5.576	2.777
<b>Yth Exp-T IV</b>												
-VETP	0	0	0	1.214	1.716	1.956	2.139	0	0	0	0	0
-VETP	0	0	0	7.415	16.471	14.140	12.185	3.740	1.011	0	0	0
-VETP-gov	0	0	0	.435	.603	.844	.093	.000	0	0	0	0
-SPEEDY B10	0	0	17.541	21.007	19.663	17.797	16.793	14.652	18.281	18.544	3.776	12.674
<b>T1 Youth Exp</b>	0	0	17.541	30.071	38.253	34.597	31.762	18.407	19.381	18.544	3.776	12.674
<b>OTH CETA/JTPA</b>	0	0	.235	.409	2.045	1.803	0	0	0	0	0	0
<b>Other Gov Bt</b>	1.741	0	2.133	2.490	1.983	.038	0	0	0	0	0	0
<b>TL CETA EXPEN</b>	842.187	8136.771	8102.411	8220.211	8216.642	8151.610	8126.419	805.412	800.433	851.215	847.821	851.647



Employment Training Expenditures in the State of Illinois

Illinois is among the states most severely hit by unemployment. Since 1980 its unemployment rate has consistently been above the national average. Hardest hit have been workers in the manufacturing sector where the number of jobs has decreased by 33% between 1969 and 1983.

Employment training efforts in the State of Illinois involve many agencies and encompass various program elements. Currently, there are ten different departments and boards which administer job training programs. A list of major agencies that offer employment development services to broad segments of the Illinois population includes the Department of Commerce and Community Affairs (DCCA), the Department of Employment Security, the Department of Public Aid, the State Board of Education, and the Community College Board.

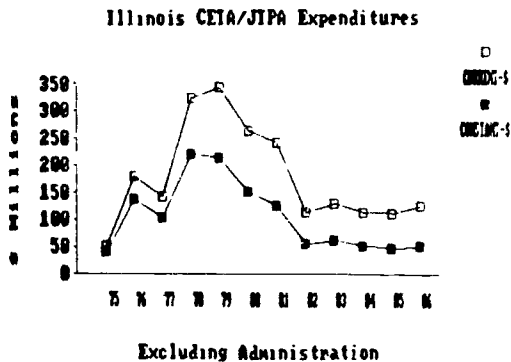
The State's role in the Comprehensive Employment and Training Act (CETA) and the Job Training Partnership Act (JTPA) programs has been administered through DCCA since 1980. These programs represent a major portion of the federal commitment to job training in Illinois. The federal expenditure trends are generally reflected in State spending patterns as well. Chart 4 on the following page documents Illinois expenditures in current and constant dollars between FY 1975 and FY 1986.

Federal allocations under titles II-A and II-B (training for disadvantaged adults and youth, and the summer youth employment program) are granted to States on the basis of a three-part formula, with equal weight given to the following factors: relative number of unemployed individuals living in areas with joblessness rates of at least 6.5 percent for the previous twelve months; relative number of unemployed individuals in excess of 4.5 percent of the State's civilian labor force; and the relative number of economically disadvantaged individuals. JTPA contains a "hold-harmless" provision which requires that each State is guaranteed at least 90 percent of its allotment percentage for the previous fiscal year. The States, however, are not required to guarantee such sums to individual localities.

Though its percent of federal funds grew, the total amount of money that the State of Illinois has annually received for employment training activities has actually decreased sharply since FY 1979. During the peak year (FY 1978) of the CETA program, Illinois documented spending levels of over \$215 million (in constant dollars). This figure had declined to \$60 million during the final year of CETA.

The JTPA program brought Illinois a slight decrease in funding for transition year 1984. Spending on the new program for this nine month period dropped to \$113.3 million (in current dollars). When one adjusts these figures for inflation and makes real dollar comparisons, this slight decrease between FY 1983 and transition year 1984 represents a 15.2% reduction in spending levels. Real dollar expenditures in FY 1983 totalled \$60.4 million, while in transition year 1984, this total was \$51.2 million. The transition year, however, consisted of only nine months. Estimated spending levels during the first program year (FY 1985/PY 1984), illustrate a current and constant dollar increase from the transition year, rising to \$48 million (in constant dollars). Figure 8 shows these expenditure trends in both real and current dollar totals.

FIGURE 8



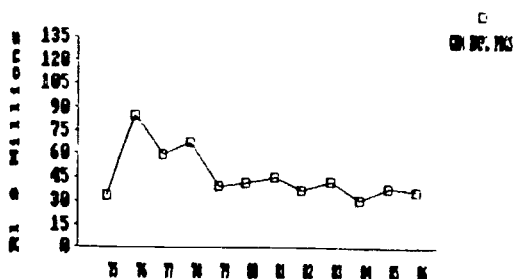
Average annual expenditure trends (in constant 1972 dollars) show three distinct periods. Between FY 1975-77, total CETA spending averaged approximately \$94.6 million. Between FY 1978-80, this figure had risen to \$195.5 million. Between 1984-86, average annual expenditures have been projected at \$50.2 million — a reduction of 74.3 percent from the previous three years. The only individual program area that has not had reduced resources over the last six years is that for dislocated workers, a small new JTPA program not included under CETA.

#### Illinois Employment and Training Spending by Program

The magnitude of funding changes between CETA and JTPA is most significant within individual program areas. For example, expenditures on general employment training programs in Illinois have varied between \$49.4 million in average annual constant dollar expenditures (FY 1978-80) to \$35.0 million (FY 1984-86). General employment training includes the major program areas of CETA (titles I and II) and of JTPA (title II-ABC, title VII and JTPA block grants). Figure 9 illustrates the spending trends of general employment training activities.

FIGURE 9

#### General Job Training & Employment Progs



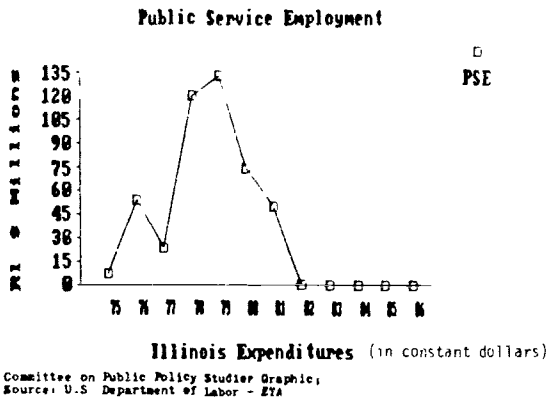
#### Illinois Expenditures (in constant dollars)

Committee on Public Policy Studies Graphics  
Source: U.S. Department of Labor - ETA

While general employment training activities have seriously declined, these programs have accounted for a growing percentage of total Illinois spending on employment and training activities. Between FY 1978-80, when public service employment program spending accounted for 55.4 percent of total expenditures, general employment training programs accounted for only 25.3 percent. Following the elimination of the public service employment program, general employment training expenditures rose to 69.6 percent of the total employment and training dollar (projected 1984-86).

The pattern of spending on public service employment in the State of Illinois typifies the levels of federal expenditures discussed earlier. Figure 10 illustrates these expenditure levels between FY 1975 and FY 1986. Average annualized expenditures during the "peak" CETA years (FY 1978-80) reached \$108.9 million, declining to \$16.5 million between FY 1981-83 and to zero since the implementation of JTPA.

FIGURE 10

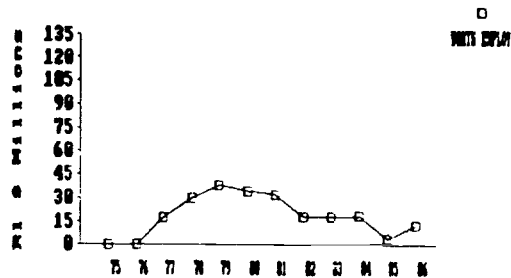


Between FY 1976 and FY 1978, real public service employment expenditures increased by 122.0%. Public service employment programs were in decline, however, prior to the advent of JTPA. Spending decreased by 62.7 percent between FY 1979 and FY 1981. After mid-1981 the program vanished.

Overall, youth programs in Illinois have witnessed some of the most dramatic fluctuations in spending levels of all employment and training programs. Real spending on youth programs reached a peak in FY 1979 with expenditures totalling nearly \$38.3 million. In FY 1983, this figure had declined to \$18.4 million, a drop of 52 percent. Figure 11 illustrates total spending on youth programs in the State of Illinois. It should be noted, however, that JPTA's title IIA (included under general employment training) contains youth spending which is not reflected in Figure 11.

FIGURE 11

## Youth Job Training &amp; Employment Progs



## Illinois Expenditures (in constant dollars)

Committee on Public Policy Studies Graphic;  
Source: U.S. Department of Labor - ETA

The major youth program in the State of Illinois, the Summer Program for Economically Disadvantaged Youth (SPEDY), has experienced a modest 13% decline in expenditures in real spending from FY 1978 to FY 1983. During the peak youth employment program funding years, SPEDY accounted for 56.6% of total youth employment spending.

The Youth Employment Program (YETP), which is operated year-round, accounted for another significant portion of youth spending in the State of Illinois between FY 1978-80. Approximately 37.1% of the total youth program dollar had been spent on that program. In FY 1978, nominal dollar spending on YETP reached \$10.9 million. In FY 1980, expenditures grew to \$24.6 million. By FY 1983, that figure had been reduced to \$216,000. YETP experienced a real increase in expenditures of 90.2 percent between FY 1978 and FY 1980, compared to a real spending decline between FY 1980 and FY 1983 of 99.3 percent. YETP was discontinued following the advent of JTPA.

#### Summary of Illinois Employment and Training Expenditures

State spending on employment and training programs reflects the drastically reduced resources allocated by the federal government. Expenditures had risen to \$324 million in FY 1978 (in current dollars). By FY 1984, total spending had been reduced to \$113.3 million.

Reductions in funding have shown an impact on virtually all employment and training program areas. General employment training programs in Illinois have been cut by 42.7% (in constant dollars) between FY 1978 and FY 1985, while youth and public service employment programs lost 87.4% and 100% respectively.

Funding reductions may be continued in FY 1986. The President's Budget proposes significant cuts in both the Summer Youth Employment and the Dislocated Workers programs, while completely eliminating others, including the WIN and Job Corps programs. The impact of this dramatic decline in resources on the State of Illinois will doubtlessly be compounded by its unemployment rate which ranks second in the nation.

Resources and Needs: National Trends

The decline of resources in employment and training programs coincided with a sharp rise of unemployed workers during the two recessions of 1980-1983. The annual average number of unemployed workers, which provides a rough estimate of need, rose from 6.2 million in 1978 to 7.6 million in 1980 and reached a peak of 10.7 million in 1983.<sup>3</sup> During this five year period, this total rose by 72 percent. The number dropped to 8.5 million in 1984 amid a rapid economic recovery. The 1984 number, however, was still 37 percent above the number of unemployed in 1978, the year that employment and training expenditures peaked. Some states and regions experienced even more drastic increases in joblessness and less economic growth during the recovery.

To understand the actual impact of budget changes on the ability to provide employment and training opportunities it is necessary to consider the real resources available per unemployed person. In 1978, there were total resources of \$7.8 billion (in constant dollars), but this figure dropped to \$2.8 billion in 1983 and to \$2.6 billion in 1984. Total resources declined by 64 percent between 1978 and 1983. In 1978 the federal budget provided almost \$1260 per unemployed person for employment and training. By 1983, this amount had fallen to \$262. The decline in resources per person was approximately 79 percent. In parts of the nation where the economic conditions were worse, the reduction was often more drastic.

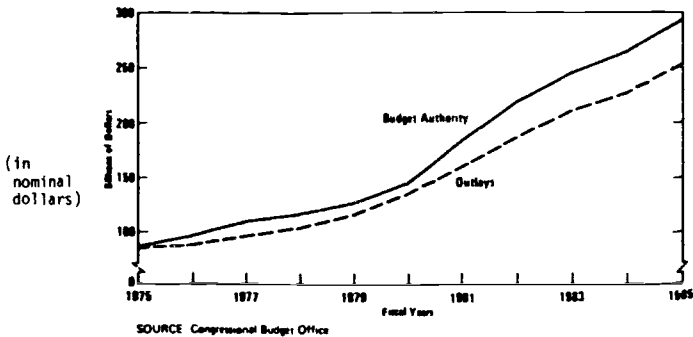
While the federal deficit has emerged as a key problem area for policy makers the 1980's, not all program activities have witnessed funding reductions over the last decade. Outlays for national defense, for example, have increased from less than \$100

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3. Unemployment figures from the U.S. Bureau of Labor Statistics, Employment and Earnings.

billion (in nominal dollars) in FY 1975, to nearly \$250 billion in FY 1985.<sup>4</sup> Between FY 1980 and FY 1986, average annual defense spending increased by 18.4%. Nondefense discretionary spending increased on average of 2.9% over this same period, while employment and training programs, a component of nondefense discretionary spending, witnessed an average decline of 8.7%. Figure 12 illustrates total budget authority and total outlays for national defense between FY 1975 and FY 1985.

FIGURE 12 National Defense Budget Authority and Outlays.  
Fiscal Years 1975-1985



There is far more, of course, to any program than the number of dollars allocated to the responsible agencies. Programs can vary widely in efficiency and effectiveness. Budgets are, however, important statements of national priorities. The very sharp reduction in real resources for employment and training, much of it in the midst of serious recessions, shows that these needs have been accorded far less priority than in the 1970s. Agencies attempting to help retool workers without jobs must try to serve many more jobless people with far fewer dollars. This reality is a central fact in the understanding of the entire system of job training in the 1980s.

4. Congressional Budget Office, Reducing the Deficit: Spending and Revenue Options. A Report to the Senate and House Committees on the Budget- Part III, February, 1985, p.204<sup>n</sup>



Mr. MARTINEZ. Having said that, this hearing is concluded.

Mr. Moore, again, I thank you for coming such a long way to enlighten us.

Mr. MOORE. Thank you.

[Additional material submitted for the record follows:]



## Perspectivas Públicas

ISSUE BRIEF  
May 1985

Title THE FIRST NINE MONTHS OF THE JOB TRAINING PARTNERSHIP ACT Grinker-Walker, Round 11  
Contact Marta M. Escutia, (202) 628-9600

### THE FIRST NINE MONTHS OF THE JOB TRAINING PARTNERSHIP ACT

A Hispanic Analysis of the Grinker-Walker Report: Round 11

#### I. BACKGROUND

In January 1985, Grinker-Walker and Associates and MOC, Inc. released the second report of a two-year independent sector analysis of the Job Training Partnership Act (JTPA), which recently replaced the Comprehensive Employment and Training Act (CETA) as the nation's primary federal employment and training legislation. This second report, entitled Phase II: Initial Implementation, covers JTPA's initial operating period, the nine-month transition period of October 1, 1983, through June 30, 1984. Information for this report was collected in June and July of 1984, utilizing field research in 25 service delivery areas (SDAs) and 15 states, and telephone surveys in an additional 32 SDAs. This analysis is funded by the Ford, Rockefeller, and Charles Stewart Mott Foundations, and the National Commission for Employment Policy.

The report highlights several positive results for JTPA during the first nine months, such as:

- Attainment of placement goals;
- Minimal costs;
- High participation of welfare recipients; and
- Strengthened partnership between local elected officials and the Private Industry Councils (PICs).

The report also identifies several problems, which are a major source of debate over the efficacy of JTPA:

National Office - Twenty First NW, 2nd Floor Washington, D.C. 20001 (202) 628-9600 Raul Yzaguirre, President  
LA RAZA, The Hispanic People of the New World

- "Creaming" in client selection -- selecting the least-disadvantaged individuals because they are easiest to place, thus resulting in lack of adequate services to those most in need;
- The extent to which JTPA is able to serve disadvantaged youth, both in spending and targeting; and
- The extent to which JTPA equitably serves the dropout population.

These are among the issues of greatest significance to the Hispanic community, which suffers from the highest dropout rates in the nation, high unemployment and underemployment rates, and the lowest hourly wages. Hispanics need full access to the benefits of JTPA as a means for overcoming their marginal status in the labor market. As the youngest subpopulation group in the country, Hispanics are expected to constitute 8-9% of the labor force by 1995. Though national demographics will favor lower unemployment over the next 12 years as prime-age workers make up a larger share of the work force, the particular demographic trends of the Hispanic community indicate the opposite, since its high birth rates and lower median age mean that Hispanics will be entering the workforce at a high rate.

One long-range effect of this demographic trend is that the taxable salaries of Hispanic workers will be increasingly vital to the fiscal viability of many domestic programs, especially Social Security, which relies on withholding allowances of current workers for the support of current retirees. It is not unrealistic to envision an aged White population being supported by an increasingly non-White workforce. This has serious policy implications and raises equity concerns. More importantly, however, it implies that the future of the Social Security system depends partially upon the ability of federal programs, such as JTPA, to assure improved employment and training opportunities for Hispanics and Blacks.

With these policy and demographic issues in mind, it becomes crucial that the Hispanic community, especially Hispanic youth and dropouts, equitably benefit from the services of JTPA. The Grinker-Walker: Round II report illustrates both some JTPA successes and problems in the effective targeting of youth and dropouts, a marginal and vulnerable group within the Hispanic community. This issue brief will analyze the survey findings from an Hispanic perspective.

## II. SURVEY FINDINGS

### A. "Creaming"

#### 1. Introduction

In line with the legislative wish for an effective return on investment and emphasis on training, JTPA is performance-driven, with built-in mechanisms which reward successful programs -- those with high placement rates at low costs. The performance standards drafted by the Department of Labor (DOL) are a two-edged sword. On the one hand, they are an effective management tool which will drive the system toward efficiently serving the client population.

On the other hand, they may encourage program operators to "cream" by selecting the least disadvantaged individuals, who are likely to be job-ready and who will most easily be placed and retained in unsubsidized employment.

The possibility for "creaming" becomes clear when the JTPA legislation is closely scrutinized. This scrutiny reveals dichotomous philosophies -- the intent of JTPA to serve the economically disadvantaged is undermined by contradictory provisions such as the complete elimination of public service employment, reduction of other work experience components, elimination of training stipends, and restrictions on support services. These provisions diminish access to employment and training programs by the economically disadvantaged, thus making it difficult to serve these intended beneficiaries of JTPA.

## 2. Participants

Section 2 of the JTPA legislation identifies the beneficiaries and purpose of the act as follows:

"...to establish programs to prepare youth and unskilled adults for entry into the labor force and to afford job training to those economically disadvantaged individuals facing serious barriers to employment, who are in special need of such training to obtain productive employment."

Furthermore, Section 203 of the legislation specifically identifies three target groups:

- Youth, by requiring that each Service Delivery Area (SDA) spend 40% of its funds on youth programs;
- Recipients of Aid to Families With Dependent Children (AFDC), who shall be served equitably, taking into account their relative incidence in the JTPA-eligible population; and
- Dropouts, who shall be served equitably, taking into account their relative incidence in the JTPA-eligible population.

With a general mandate for serving those economically disadvantaged in "special need" of JTPA services and a specific mandate for serving youth, AFDC recipients, and high school dropouts, administrators of JTPA programs are faced with some difficult choices in determining the scope of services and choice of participants under JTPA. For example, those within the eligible group of economically disadvantaged may differ greatly in terms of the length, type, and amount of training needed. Groups could range from those who have some occupational skill and need only minimal assistance in an area such as job search skills, to those who lack an occupational skill and proficiency in such basic skills as reading, writing, mathematics, or English. The existence or absence of such skills in a participant has a direct impact on the nature, duration, and cost of the training provided.

Cost constraints also effect the choice of participants. Compared with CETA, which had a maximum funding level of \$10.2 billion in Fiscal Year 1979, JTPA has been funded at minimal amounts since its inception -- \$3.6 billion for

Program Year 1984 and 1985. The Grinker-Walker report states that the modest resources of JTPA permit it to provide assistance to only three to five percent of the eligible population. With these constraints in mind, the targeting issue can be phrased in the following manner: how will constitute that three to five percent of the eligible population to receive JTPA services?

The Grinker-Walker report provides some insight as to the characteristics of the participants being served by JTPA and the extent of "creaming." The report states that by June 30, 1984:

...Eighty percent of the field sites (20 of 25 SDAs) agreed that they were not attempting to define who those "most in need" of services were, and had no intention to do so (p. 52).

...Most SDAs did not pay any substantial attention to the act's broad mandate to serve those most in need of and able to benefit from its services. They felt that mandate was undercut by the act's restrictions on support services, stipends, and work experience; its strong focus on standardized performance standards; and its major role for the private sector (p. 54).

Minimal expenditures in support services may also lead to "creaming" of participants in JTPA. Support services are viewed as access mechanisms for the economically disadvantaged because they are the most likely to require services such as child care and transportation in order to attend training sessions. The JTPA legislation provides for 15% of SDA funds to be spent on support services. However, the Grinker-Walker report states that:

...the sample SDAs expended a very modest level of funds on support services like literacy training, day care, and transportation [eight percent compared to the fifteen percent standard in the act] (p. vi).

...The JTPA legislation requires SDAs to spend 70% of their funds on training activities, 15% on support services, and 15% on administrative costs. By June 30, 1984, 21 of the 25 SDAs in the study sample had actually expended more than 70% of their JTPA funds on training, and less than 15% on support services. The sample sites on average spent 76% on training, eight percent on support services, and 16% on administrative costs (p. 18).

With such minimal amounts being spent on support services, it is not surprising to know that SDAs enthusiastically seek welfare recipients as clients because they are the one group of eligibles with access to support services and financial assistance that complements the training JTPA has to offer. The Grinker-Walker report indicates that welfare recipients are the only legislatively targeted group for which most SDAs worked to establish effective coordination with public agencies in ensuring that there was an adequate flow of recipients to JTPA (p. 67). The report states that:

...Most of the PICs were enthusiastic about providing services to welfare recipients, in contrast to their lack of interest in targeting services toward other groups. The income support that welfare programs provide, plus the potential for other welfare-funded support services, was one source of this enthusiasm. Another source of interest was the potential to reduce welfare rolls and costs by training and placing welfare recipients in jobs, a major legislative goal of JTPA (p. 67).

Though the high participation of welfare recipients is one of JTPA's positive aspects, some cautionary comments were expressed to the Grinker-Walker analysts. The Grinker-Walker report states that a welfare official from a major urban area, who also sits on the local PIC, said:

... "The majority of our AFDC recipients go on and off the welfare rolls -- a job for a few months, then some welfare. Then repeat the cycle. I'm concerned that JTPA's short-term program is just the upswing of the cycle, and that many of these recipients will be back on the rolls again in a month or two. I'm afraid that welfare recipients are being funneled into job clubs and job search activities -- services which provide no technical skills on which to build a long-term career." (p. 69).

The choice of training programs offered by SDAs may also lead to "creaming" of participants in JTPA. The Grinker-Walker report indicates that the dominant theme of training services throughout the sample SDAs at the end of the first nine months of implementation was On-the-Job Training (OJT) and classroom training (p. 24). These two training services comprised the great bulk of activities. The Grinker-Walker report states that:

...Seventy-two percent of the sites favored programs of shorter duration. Thus, the maximum OJT program of the sample sites was expected to be about 16 weeks long; the maximum classroom training about 26 weeks long (p. 22).

The Grinker-Walker report indicates that though many JTPA officials at the SDA and state government levels recognize that past research shows that longer training programs produce more enduring impact on employment and wage levels of participants, the emphasis on low cost per placement and the desire to enroll as many participants as possible within a limited budget has resulted in short training sessions (p. 23). Thus, longer training programs and work experience activities that were favored under CETA are being replaced. Reformulations of the program mix are caused by a combination of legislatively mandated restrictions on activities and lack of resources. JTPA has eliminated training stipends and has placed sharp restrictions on support services. At the same time, JTPA's performance standards stress the importance of placing program graduates in private-sector jobs. These elements in the legislation have convinced many SDA administrators and PIC officials that longer training programs with potentially higher rates of failure no longer could be supported. The Grinker-Walker report states that officials at one SDA said:

...We are not concerned about those most in need but rather with those with modest needs. A certain degree of job readiness tends to be presumed when the program emphasis is on performance standards, on-the-job training, and short-term classroom training." (p. 52)

Another factor resulting in "creaming" of participants under JTPA is the very great discretion exercised by training contractors in screening and selecting those participants they judge most likely to succeed. The Grinker-Walker report states that:

...training contractors were the locus of decision making regarding who participated in JTPA at 76% of the field sites. Centralized intake, screening, assessment, and assignment had been one of the first functions dropped by most SDAs when JTPA's reduced administrative funds were allocated (p. 55).

With the prevalent use of performance-based contracting, wherein training contractors do not receive full payment until placement in unsubsidized employment is reached, it is not surprising that contractors, like SDA administrators are faced with difficult choices in determining the characteristics of JTPA participants. SDA administrators, limited by a small budget, are motivated by the challenge of making JTPA a credible program, seeking performance as measured by high placements as the road to credibility. Training contractors, saddled with the constraints of a performance-based contract, are financially induced to perform and yield high placements in order to receive reimbursement for their training costs.

The Grinker-Walker report does indicate that though some SDAs are dismissing the issue of defining and targeting the JTPA eligibles "most in need," they are serving "substantial segments" of the eligible population, such as women and minorities, veterans, the handicapped as well as other groups, depending on the make-up of the local population. However, the JTPA legislation is general and broad in this respect since Section 141 provides that "SDAs shall make efforts to provide equitable services among substantial segments of the eligible population." This language is far less specific than that under CETA, Section 121, which stated that "employment and training opportunities for participants shall be made available on an equitable basis among significant segments of the eligible population giving consideration to the relative numbers of eligible persons in each such segment."

The Grinker-Walker report finds that the "substantial segments" language has resulted in SDAs establishing percentage goals for these segments, and the targeted percentages of women and minorities have been included in their contracts with service providers. However, the issue of "creaming" within a targeted group of participants still exists. An SDA official told the Grinker-Walker analysts:

'It's not hard to meet substantial-segment goals so long as you can select the best people from each group. In a program the size of JTPA, you can do that.' (p. 58)

The Grinker-Walker report concludes that in view of the foregoing, "it was not surprising that three-fourths of the field sites said that JTPA participants during the first operational period were better off, particularly in terms of education, past work experience, and lack of supportive services needs, than had been JETA participants." (p. 54).

#### B. Disadvantaged Youth

Youth were specifically identified by drafters of the JTPA legislation as a vulnerable group which required specific mandates in services. Section 203 of the JTPA legislation defines and quantifies the level of services that SDAs must provide to disadvantaged youth -- 40% of an SDA's funds must be spent on youth programs. Youth include individuals 16-21 years of age.

Congressional intent was to ensure that adequate resources were spent on youth. Thus, the youth requirement was stated in terms of expenditures rather than participants. Drafters of the JTPA legislation were concerned about the possibility of inexpensive and short-term services being used as a means for building up an impressive number of youthful participants without achieving lasting results; requiring a set level of SDA expenditures on youth was seen as an effective way to prevent that.

The Grinker-Walker report highlights two JTPA implementation problems regarding youth: (1) SDA difficulty in attracting youth; and (2) short-term, low-cost programs for youth. The report states that:

...only eight of the 25 field sites surveyed expended 90% or more of the JTPA funds allotted for youth. The other 17 sites fell short, many significantly. Fully half of the field sites expended less than 60% of their youth allocation (p. 60).

...the average duration of a youth's participation in JTPA at the field sample SDAs was 12.2 weeks -- almost ten weeks shorter than had been planned (p. 61).

...the average cost per positive youth termination was \$3,105, well below the federally established standard of \$4,900 (p. 61).

The Grinker-Walker report indicates that those SDAs with large youth enrollments relied extensively on in-school youth program components and services to high school graduates. The report shows that:

...the field study SDAs, on average, had in-school programs which constituted 31% of their total youth enrollment. The youth population, besides its 31% in-school group, was composed 43% of youth with high school degrees or higher education, and 26% of youth who had dropped out of school (p. 62).

In summary, youth with high school degrees or with education beyond high school were the predominant category of youth served by JTPA, ranging from 31 to 63% of total youth enrollment (p. 63).



### C. Dropouts

The JTPA legislation, as noted earlier, requires that dropouts be served equitably, taking into account their proportion of the overall eligible population. This requirement has no age limitation, thus both older and younger dropouts are served concurrently. The Grinker-Walker report states that throughout the field study SDAs, there was a lack of emphasis on enrolling dropouts in JTPA programs. The report states that at the end of the nine-month transition period:

...high school graduates and those with education beyond high school constituted 66.5% of total enrollees at the field study SDAs; dropouts made up 33.5%. During 1981 CETA, dropouts had constituted 42% of enrollees in comparable training activities (p. 66).

Programmatic efforts and contracting strategies at most of the SDAs in the study reflect a general lack of emphasis on incorporating dropouts into JTPA programs. The Grinker-Walker report states that:

...Forty-six of the 57 total sample SDAs had no separate training programs for non-high school completers and provided only minor allocations for remedial education. Eighteen of the 25 field study SDAs did not set specific goals for enrolling dropouts in their contracts with service providers (p. 65).

Though JTPA requires that dropouts be served "equitably," it is unclear how SDAs intend to meet this goal. The Grinker-Walker report indicates that SDAs are concerned about this shortfall, but few intend to alter their training programs, contractors, or other major program components in order to rectify the situation. The Grinker-Walker report concludes that as of June 30, 1984:

...for the most part SDAs had not yet begun to devise specific strategies for increasing the enrollment of dropouts (p. 66).

## III. IMPLICATIONS FOR HISPANICS

### A. "Creaming"

"Creaming" -- selecting the least-disadvantaged individuals because they are easiest to place -- is a pervasive problem in any performance-driven system. It is indirectly encouraged by the high performance standards and the restrictive financing provisions of JTPA such as lack of training stipends and public service employment. SDAs are indirectly pressured to serve the most job-ready and those with least need of support services because underperformance by SDAs will require corrective actions by the State, in the form of technical assistance or, if necessary, reorganization. Conversely, overperformance by SDAs will be rewarded by JTPA funds earmarked for incentive grants.

The pressure on SDAs to perform leads to the prevalent use of performance-based contracting, whereby service providers do not receive full payment until the client has been placed in unsubsidized employment. The Grinker-Walker report states that performance-based contracting is in effect in 17 of the 25 field SDAs (p. 96). Service providers are encouraged to "cream" by serving clients who are least disadvantaged, are in least need of employability development, and are easiest to place, in order to meet the performance criteria and get paid for their training costs. Many community groups, who are service providers, experience severe cash-flow problems because cost reimbursement is not provided until after the client has been placed. For this reason, many community groups have decided not to seek JTPA funds due to their inability to function under such financial constraints, and the inability to meet the placement and retention rates while serving the disadvantaged people who are their traditional clients. In this manner, JTPA also "creams" the organizations that may participate as service providers -- only those organizations with solid financial backing from other sources may participate under the financial constraints imposed by a performance-based contract. Groups with special concern for minority and disadvantaged individuals fear that the exclusion of community groups from the JTPA system will result in the neglect of the economically disadvantaged.

The preference for low-cost, short-term training programs does not bode well for the Hispanic community, with its high proportion of low-income, under-educated persons with limited job skills. These programs do not address long-term needs for skills training, education, and language training. Hispanics, as the least educated group in the nation, are subject to a proportionately greater loss than the white population because programs emphasizing long-term training which meet their needs are discouraged in favor of programs with shorter duration, lower cost, and quick placements. With the many employment barriers that Hispanics face, it is likely that they will be underrepresented from these short-term, quick placement programs, which have a built-in preference for higher-skilled, better-educated workers.

#### B. Disadvantaged Youth

The indication by the Grinker-Walker report that SDAs are not spending the mandated 40% of funds in youth programs poses serious problems. At a time when Hispanic youth unemployment rates are above 20% and Black youth unemployment rates above 40%, efforts by both the private and public sectors should concentrate on meeting the needs of this important group. Congressional drafters of the JTPA legislation intended that the act specifically serve this vulnerable group as a means of stopping the trend toward long-term structural unemployment among disadvantaged minority youth.

Hispanics, the youngest and fastest-growing subpopulation in the country have a special need for youth employment programs, and will suffer in the future from inadequate education and training opportunities today. A special concern with JTPA is that even where youth programs are available, a lack of stipends, support services, and adequate education skill training components, including training in English-as-a-Second language, may minimize opportunities for disadvantaged youth to participate. Untrained youth are likely to follow the cycle of underemployment, structural unemployment, and increased use of welfare services. However, a well-trained future labor force, comprised increasingly of Hispanics, Blacks, and women, will result in dual societal

benefits -- increased revenues for programs such as Social Security and other domestic programs and decreased expenditures for public assistance programs.

### C. Dropouts

The JTPA legislation mandates that dropouts be served equitably, in proportion to their incidence in the population. However, the Grinker-Walker report concludes that dropouts are not being fully incorporated into JTPA training programs. Many SDAs do not have separate programs for dropouts; thus, dropouts are "mainstreamed" into either youth programs or adult programs. Even in those SDAs with youth programs, only 26% of participants were dropouts.

For Hispanics, the services to dropouts are particularly important since Hispanics have the highest dropout rates of any group in the nation. Data from a 1979 Census Bureau study showed that 35% of Hispanics 18-21 had dropped out of high school as compared with 25.5% of Blacks and only 15.5% of Whites. In many urban centers, dropout rates currently exceed 50%. Furthermore, Hispanics appear to drop out of school earlier than do other groups of students. Nine percent of Hispanics 14-17 years old have left school without graduating, as compared to 5.3% of White youth and 5.2% of Black youth. Hispanic females, the lowest paid workers in the labor force, are more likely to drop out of school than are Hispanic males, and are more likely than other groups of women to be high school dropouts.

As a result of these conditions, JTPA's inability to serve dropouts will have a disproportionate impact on the Hispanic community. As with underexpenditures in youth programs, the Hispanic community has special reason to be concerned about JTPA's limited services to dropouts.

### IV. CONCLUSION

The Grinker-Walker Round II report identifies some positive outcomes for JTPA in its first year of implementation. Increased involvement of the private sector is a particularly important accomplishment, as is the program's success in serving one group of disadvantaged persons -- welfare recipients. However, the report also highlights three issues of concern to Hispanics and other disadvantaged groups: (1) the extent of "creaming" in the delivery of JTPA services; (2) the inability of SDAs to spend the mandated 40% of funds in youth programs; and (3) the lack of equitable services to high school dropouts. The Hispanic community, like other minority and disadvantaged groups, has a special interest in ensuring that these implementation problems of JTPA be addressed as quickly as possible. Moreover, the Hispanic community has much at stake in ensuring that youth and dropouts are served according to the intent of JTPA, since Hispanics are the youngest subpopulation in the nation, and experience the highest dropout rates.

The National Council of La Raza's most important conclusion from the Grinker-Walker report is that JTPA, in its present form, with current regulations and funding limitations, cannot adequately serve targeted groups such as youth, dropouts, and other "economically disadvantaged individuals facing serious barriers to employment," who are the stated beneficiaries of JTPA. The original CETA legislation had some similar deficiencies, many of which were corrected through legislative amendments and increased federal regulations and oversight. If similar improvements are to be made in JTPA, careful monitoring is an essential first step and one of the greatest challenges that faces the Hispanic community.

[Whereupon, at 12:40 p.m., the subcommittee was adjourned, to reconvene subject to the call of the Chair.]