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ABSTRACT

These proceedings contain papers from a symposium during which 33 practitioners from the fields of education and employment policy formation met to discuss the following topics: the political reality of a Republican majority in Congress and the trend toward increased reliance on block grants as a method of awarding federal funding; the economic realities of growing wage and income disparities; and program implementation under two major scenarios presented in the Gooding (House) and Kassebaum (Senate) bills regarding reforming the education, employment, and rehabilitation systems. The proceedings consist of the following: six papers; an edited summary of the panel and conference discussion in which seven state and local practitioners and seven Congressional respondents took part; and a list of symposium participants. The following papers are included: "Introduction" (Marion Pines); "Toward a Workforce Development Reality Check" (Garth Mangum, Stephen Mangum); "Block Grants--Key to the 'New(t) Federalism'" (Richard P. Nathan); "Guiding Principles for National Employment and Training Reform" (Andrew Sum, Paul Harrington); "Panel and Conference Discussion"; and "Conclusions" (Marion Pines). (MN)

The Harrassed Staffer's Reality Check

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THE HARRASSED STAFFER'S REALITY CHECK

Proceedings of a Symposium

Sponsored by the

Sar Levitan Center for Social Policy Studies

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The Johns Hopkins University

June 25-26, 1995

Washington, DC

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The Harrassed Staffer's Symposium was conducted and *The Harrassed Staffer's Reality Check* is published and distributed under a grant from the National Council on Employment Policy pursuant to a bequest from the estate of Sar A. And Brita Levitan. The responsibility for the papers rests with their authors and the selections from the statements of discussants at the symposium is the reponsibility of the editors.

Sar A. Levitan

The Sar Levitan Center for Social Policy Studies at the Johns Hopkins University was organized in 1995 to commemorate and extend the works of Sar A. Levitan, public policy commentator extraordinaire who died in May 1994 after 44 years of selfless public service on the national scene.

Levitan came to Washington in 1950 after military service and completion of his Ph.D.in Economics at Columbia University to serve on the staff of the Korean era Wage Stabilization Board. He remained thereafter with the Legislative Reference Service, researching and enlightening at congressional request issues related to labor relations, employment and economic development. On loan from LRS, he served on the staff of Senator Eugene McCarthy's 1959 Select Committee on Unemployment,in 1960-61 as Deputy Director of the Presidential Railroad Commission and then as advisor to Senator Paul Douglas in the formulation of the Area Redevelopment Act, the start of the Kennedy New Frontier.

Aware that pioneer social policies would need friendly critics to keep their administrators focussed, he obtained a grant from the Ford Foundation which the Foundation itself has described as the longest lasting and most productive in its history. For thirty years thereafter, he was to advocate, evaluate, criticize and praise (wherever and whenever deserved) every significant legislative act, policy and program related to employment, education, training or poverty during those tumultuous years.

Levitan was not satisfied with a 36 page bibliography of books, monographs, articles, congressional testimony and speeches. When cancer ended his life just short of his eightieth birthday, he left the bulk of his life savings to the National Council on Employment Policy, an organization he had helped organize and then singlehandedly perpetuated, charging his closest friends to continue his life's crusade.

This Center has the honor of being the first beneficiary of that bequest. Remembering that one of Levitan's greatest joys was to interact with the staffs of congressional committees, this symposium was undertaken as the Center's second effort.

Therefore to Sar A. Levitan this program was and this proceeding is lovingly dedicated.

INTRODUCTION

Marion Pines

Continuing a tradition started by Sar Levitan many years ago and made possible by a bequest to the National Council on Employment Policy, this symposium was the second meeting held in as many months to establish and maintain a constructive dialogue with congressional staff charged with the most major reformulation of education and training policy in more than a decade. Fortuitously timed within a week of Senate Committee markup, the symposium was able to generate a high level of interest and participation.

Entitled "Reality Check," the intent was to frame the issues in a context of several realities: the political reality of "Newt Federalism" block grants, the economic realities of growing wage and income disparities, and the practical realities of state and local policy and program implementation under two major scenarios presented in the Goodling (House) bill and the Kassebaum (Senate) bill. Guiding principles relating to purpose, function, accountability and governance were intended to undergird much of the discussion.

The Sar Levitan Center at the Johns Hopkins Institute for Public Policy, which has been established by the National Council, invited Dr. Richard Nathan, Director of the Rockefeller Institute of Government to present the political reality of the new "devolution revolution." A distinguished father-son team of labor economists, Garth and Steve Mangum, described wage and income trends. With those presentations as background, a panel of experienced and articulate state and local practitioners--Susan Auld from the State of Vermont, Jim Callahan from the state of Maryland, Linda Harris from the City of Baltimore, Terry Hudson from the City of Houston, Aurelia Koby from the City and County of San Diego, Joel New from the State of North Carolina, and Clyde McQueen from Kansas City, representative of those who will have to make reality of the proposed block grants, reacted to the set of issues posed by Marion Pines as moderator. The discussion was aided by an insightful side-by-side analysis of the two bills, prepared by Jim Callahan and his staff, and a thoughtful derivation of "guiding principles" by Andy Sum and Paul Harrington. Knowledgeable representatives of public interest organizations joined in the discussion and responsible Senate staff reflected on the realities of Congressional debate.

The side-by-side analysis, the written papers, summarized by their authors at the symposium, an edited summary of the discussion and my personal assessment of the conclusions follows.

A COMPARISON OF H.R. 1617 and S. 143

ELEMENT	H.R. 1617	S. 143
	INTRODUCTION	
NAME	*Consolidated and Reformed Education, Employment, and Rehabilitation Systems Act; or CAREERS Act*	*Workforce Development Act of 1995*
EFFECTIVE DATE	*October 1, 1996 (FY 97), Secretaries given broad transition authority.*	*July 1, 1998 (FY 98), waivers available for FY 96 and 97.*
PURPOSE	*The purpose of this Act is to transform the vast array of Federal workforce development and literacy programs from a collection of fragmented and duplicative categorical programs into a streamlined, comprehensive, coherent, high-quality, cost-effective, market based, and accountable Federal workforce development and literacy system that is designed to meet the education, employment, and training needs of the workforce and the competitiveness needs of employers of the U.S., both today and in the future.*	*1) to make the U.S. more competitive in the world economy by eliminating the fragmentation in Federal employment training efforts and creating coherent, integrated statewide workforce development systems designed to develop more fully the academic, occupational, and literacy skills of all segments of the workforce;* *2) to ensure that all segments of the workforce will obtain the skills necessary to earn wages sufficient to maintain the highest quality of living in the world; and* *3) to promote the economic development of each State by developing a skilled workforce that is responsive to the labor market needs of the businesses of each State.*
FUNDING AUTHORIZATION	*FY 97: Youth Grant $2.308b. (20% cut); Adult Grant $2.263b. (20% cut); Literacy $280m. (10% cut). Otherwise, such sums for FY 98 - 2002 as may be necessary.*	*$7 b for consolidated system and $2.1b for at-risk youth with 7% reserved for national activities and 93% allocated to States.*
	SYSTEM STRUCTURE	
CORE APPROACH	*Over 100 programs consolidated into 4 grants to States: Adult Training, Adult Education and Literacy, Voc Rehab, and Youth Workforce Preparation.*	*Over 91 programs consolidated into one block grant with two funding streams; workforce education 25%, and workforce employment 25% and a "flex" account of 50% that can be used for either.*
FEDERAL ROLE	*Includes administration and management of national activities, LMI, setting guidelines for provider eligibility determination and MIS. Secretaries shall collaborate in setting common procedure for compliance with statutory requirements. They also set core indicators and world class performance levels in order to ensure a nationwide performance system*	*Role performed through a Governing Board, comprised of Secs of Ed and Labor and 3 reps from private sector, two Govs., two local officials and (as nonvoting members) Chairs and ranking members of House and Senate authorizing committees. The Board reviews/approves State plans; makes allocations to States; oversees LMI; negotiates State performance benchmarks, reviews performance, and initiatives performance awards/sanctions.*
STATE PLAN	*To receive a grant, the Governor has to submit a State workforce development and literacy plan to the Secs of Labor and Ed which includes:* • *description of collaborative process* • *system goals* • *how State has established workforce development (wd) areas, local wd boards, 1-stop systems, and certification of training and service providers* • *how State will participate in national LMI system* • *voc rehab info* • *how coordination will be ensured* • *public input to plan* • *consultation with business and industry* • *assurance of fiscal control* • *sanctions State may impose*	*To receive an allotment, Governor shall submit a plan to the Governing Board, including:* • *overall strategic plan for workforce activities, including allocation of funds within the flex account, limits on economic development, how state will set and meet goals, obtaining business input, leveraging other resources, performance evaluation, plans for common data collection and reporting* • *workforce employment activities, including designated areas, one-stop system, performance indicators, LMI, job placement accountability* • *workforce education activities, including allotment of funds, activities, performance indicators, how State will meet goals for at-risk youth, evaluation, technical assistance, assessment of progress in meeting student performance measures*

PLAN DURATION	*remains in effect until mod submitted*	*three years*
AUTHORITY OF GOVERNOR	*If Governor cannot get agreement through collaborative process, has final authority to submit plan*	*After allowing comment, if Governor cannot get agreement, can submit plan with any such comments included*
WORKFORCE DEVELOPMENT AREAS	*Set by Governor; to consider existing labor market areas, units of government, areas served by ed agencies, SDAs under former JTPA*	*Governor sets substate areas taking into account labor market areas*
STATE BOARD	*Requires Gov. to bring together a specified group of people to work with him/her in a collaborative process to make decisions relative to the organization and planning of the workforce system; groups include presentatives of business, local elected officials, local ed agencies, postsecondary institutions, rehab council, orgs. representing individuals served by programs, employees, and lead State officials for education, econ dev, employment, postsecondary ed, voc rehab, welfare, and vets to:* • *develop the State workforce development and literacy plan* • *otherwise comply with the Act* *Gov. may use existing group to provide this function*	*Governor has to develop a strategic plan and obtain approval from: the State ed agency, business reps, labor and workers, local elected officials, voc ed officials, postsecondary ed official, other officials, including economic development as the Governor may designate. The Governor may establish a State Workforce Development Board, including the above officials, and a majority of business members, at least 25% labor and community based org reps. Gov. must establish the Board if any funds are to used for econ. dev. This board, chaired by a business person, would:* • *advise Gov on workforce dev system, the State plan, and State goals and benchmarks* • *assist in developing performance indicators* • *serve as link between business and system* • *assist in preparing annual report* • *receive and comment on State rehab plan* • *assist in developing LMI system* • *assist in monitoring and continuous improvement*
LOCAL STRUCTURE	*Governor ensures establishment of local workforce development board, selected by chief elected official, which must include a majority of business reps, individual with disability, reps of ed. & cbos.* *Board:* 1. *develops biennial plan, including:* • *goals and strategies* • *performance measures* • *description of 1-stop system* • *strategy for involving community* 2. *uses LMI to identify demand occupations* 3. *sets budget and program oversight* 4. *but cannot administer programs*	*Governor negotiates and enters into a local agreement with local partnership or local workforce development board. Local partnership members selected by local elected officials and must include reps from:* • *business, industry, and labor* • *secondary and postsecondary schools* • *local elected officials* • *rehab agencies* • *cbo's* *Agreement must include how funds allocated to area will be spent to meet State goals and benchmarks, and how collaboration took place. If agreement cannot be reached, Governor, with 30 days notice advises how funds to be spent.* *Separate application for workforce education funds submitted by secondary, postsecondary, and adult ed eligible entities to State Ed Agency.*
PROGRAM DESIGN		
IN GENERAL	*Creates four block grants to States: Adult Training, Adult Education and Literacy, Voc Rehab, and Youth Workforce Preparation.*	*One block grant divided at State level into two separate streams with minimum funding levels: workforce employment (25%) and workforce education (25%). State flexibility on remaining 50%, but must use a portion of funds for school-to-work activities.*
SERVICES	*1-stop centers required. Core services and information available to general public through 1-stops. Intensive services available to general public if sufficient funds available.*	*1-stop centers required. Targeting of services at discretion of the Governor and local partnership; core services provided to general public through 1-stop.*
INCOME SUPPORT	*Income support similar to needs-based payments under JTPA Title III explicitly authorized.*	*Support services, including financial assistance, authorized.*

CERTIFICATION OF EDUCATION AND TRAINING PROVIDERS	*Certification required for providers to receive funds through vouchers or contracts. Extensive arrangements for certification and performance based information.*	*Where State chooses to use vouchers, State required to describe:* • *criteria for provider eligibility and* • *providing information about provider performance*
SKILL GRANTS/ VOUCHERS	*Vouchers are to be used for education and training in Adult Grant except for OJT, or where there insufficient certified providers or services for special populations.*	*Authorized but not required.*
NAT. PROGRAMS	*Authorization for national activities, but funding set at 60% of FY95 level.*	*Provides for national incentive grants based on performance, but silent on other national activities.*
SCHOOL-TO-WORK	*Consolidated/eliminated. Requires STW framework but has no funds for national incentive grants.*	*Consolidated/eliminated but existing States with STW grants must continue to implement using 50% flex funds. No specific STW framework but requires State funding for STW out of State flex grant.*
LABOR MARKET INFORMATION	*National Labor Market Information system established. Prescribes how Secretary to administer at national level.*	*National LMI system established. Governing Board given discretion on how to administer at national level.*
VOC REHAB	*Funds go to the Governor who designates an agency to administer, including participation in the development of the workforce development plan.* *Agency is responsible for monitoring performance and providing training and best practices info to one-stop and voc rehab personnel.* *Planning requirements simplified. Consumer choice strengthened, and voc rehab closely integrated with adult training, delivering core services and specialized services through 1-stop centers.*	*Continue as a separate authorization. Amends Title I of Rehab Act to achieve greater coordination. Planning, timelines, and accountability are consistent with Workforce Development Act. Voc Rehab becomes part of the larger employment and training system in the State but retains separate authority and funding stream.*
ALLOTMENTS/ALLOCATIONS		
STATE AND LOCAL FUNDING	*For Title II, of the amount authorized, 20% or $25m.(whichever is less) may be retained by Secy, the balance is allotted to the States based on the percentage of Perkins 101 and JTPA 252 and 262 funds received in previous year. In subsequent years, percentages stay the same.* *Substate allocation - 90% of funds allocated to local areas, (40%), eligible institutions for in-school, (40%) for out of school. Governor sets within State formula for distribution based on poverty rates, proportion of youth, and other appropriate factors. Minimum grants specified.* *State may grant incentive awards from funds reserved for State.* *For Title III, 85% of authorized funds allotted to states based on proportionate amount received in last year under Title IIA and III of JTPA. Governor may reserve 20% of allotment for TA, innovative and experimental programs, 1-stop support, mix. No more than 1/4 reserved may be used for admin. Governor sets allocation formula based on poverty, unemployment, proportion of population or other factors.* *Title IV allotment for adult ed and family literacy based on proportionate number of eligibles in State*	*Formula for allotments to States based on general population, unemployment rates, numbers of low-income individuals, and welfare recipients. 7% of appropriation may by retained at the federal level, with 93% allotted to the States* *For Workforce employment activities, 75% shall be distributed to local entities, allocation formula using such factors as poverty, unemployment and the number of AFDC recipients in the State. For workforce education activities, 80% must be allocated in accordance with the formulas set out in the sections for secondary, postsecondary, and adult education.* *Flex funds (50%) - through a collaborative process, the State will decide how to use and allocate these funds, setting priorities according to the State's economic, educational, and employment factors. The approach to be taken is based on the model established in the STW Act.*
WORKFORCE DEVELOPMENT LOANS	*Secretary may provide grants to states for loans to employers or employee representatives for skills upgrading*	*No provision.*

ACCOUNT-ABILITY	*Consumer information and certification of service providers combined with consumer choice through vouchers. States establish core indicators under definitions of Secretary. States establish levels of performance for local areas, taking into account world class levels. States report levels to Secretaries. State failure to meet*	*Consumer information and certification of service providers required if vouchers used. States set appropriate benchmarks related to appropriate education and meaningful employment to meet broad workforce development goals and report annually on success in meeting benchmarks. Governing Board negotiates benchmarks with State.*
	performance levels for 2 consecutive years results in up to 25% reduction in grant. Feds grant incentive monies based on performance. For 2 year transition, certification of service provider can be based on JTPA performance.	*States failing to achieve benchmarks may have allocation reduced by up to 10% for 3 years and States may receive incentive grants for meeting or achieving benchmarks. States required to evaluate progress of all individuals through 1-stop system.*
MAJOR DIFFERENCES		
CONSOLIDATION	• *Employment Service remains seporate* • *JOBS remains* • *Job Corps remains a federal program* • *Food Stamps E & T remains*	• *ES resources are a part of grant* • *JOBS is repealed* • *Job Corps turned over to Govs.* • *Food Stamps E & T is repealed*
FUNDING	*(See Allocation Section)*	*(See Allocation Section)*
APPROACH	*Organizes the system based on target groups*	*Organizes the system based on core activities*
PLANNING	*Unified approach to produce a one plan*	*Bifurcated approach that essentially has two plans*
FEDERAL	*Reduces but maintains federal national role and maintains existing administrative system*	*Cuts federal role significantly and establishes new administrative system*
STW	*No provision*	*Makes core provisions*
LOCAL BOARDS	*Required*	*Optional*
VOUCHERS	*Required*	*Optional*
PERFORMANCE	*Creates a more defined national framework for a consolidated and uniform performance measurement system for program activities*	*Provides more flexibility to the States in the development of specific performance benchmarks*
AT-RISK YOUTH DEFINITION	*Clear definition that extends beyond economic situation to include barriers to employment and school drop-out factors*	*Defined as economically disadvantaged*

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TOWARD A WORKFORCE DEVELOPMENT REALITY CHECK

by Garth and Stephen Mangum

All of us who are or who have been involved in the legislative process recognize how important it is from time to time to step back and ask "what is it we are trying to accomplish and how likely is it that our proposals will be effective in accomplishing those objectives?" It is not our purpose in this paper to tell you what those objectives ought to be or to do that appraisal for you. Instead, we seek only to set forth those workforce issues of current widespread concern as a device to focus discussion.

Productivity and Competitiveness

Considerable concern was expressed throughout the 1986-92 period about the productivity of the American workforce and the extent to which its relatively slow advance might impede our international cmpetitiveness. It makes a great deal of difference which years one chooses for comparison, but output per hour worked in nonagricultural private employment in the United States increased an average of 2.63 percent per year from 1950 through 1972, the eve of the OPEC challenge which changed so much in our economy. From 1973 to the steep recession downturn of 1981, output per hour worked increased at an annual average of only .68 percent and from there to the next downturn in 1990 an annual average of .99 percent.

The great concern expressed during the late 1980s and early 1990s was neither surprising nor inappropriate. With a recovery back to a 2.35 percent average for 1991-94 that concern appears to have lessened. Unit labor costs which rose 3.45 percent a year from 1981 to 1990 rose at a 2.35 percent annual average during the first four years of the new decade. However, according to the BLS Employment Cost Index, private sector wages and benefits averaged $17.10 in March 1995. This figure is 2.8 percent lower in real terms than in 1990 and 5.5 percent lower than in 1987. Declining real wages have been a bane to American workers but a boon to American employers when accompanied by resurgent productivity growth. .

During recent years, hourly compensation rates have risen far less rapidly and industrial production more rapidly in the United

States than among any of our major industrial competitors. Average hourly labor costs in Japan and Germany have risen to equal ours, all indicators of improved competitiveness not yet apparent in our international trade deficits. The time has been too short to know whether that higher rate of productivity growth is only the result of recovery from recession or whether it is a longer turn reversal resulting from corporate downsizing, resumed capitalization, more careful management or other lasting factors. Only time will tell, but even if productivity growth were only to return to its long term trend line, that would be a substantial gain. Economic growth is limited by hours of work and the output of each of those hours. Since in the long run each additional worker is an additional mouth to feed, our living standards can rise only with our productivity. Technological change continues rapid and skill requirements are clearly on the rise. Skill and productivity development are never to be ignored, but public concern appears to be shifting now to income distribution.

Income Distribution

The following five charts (Figures 1-5) taken from the 1995 Economic Report of the President adequately tell the income distribution story of the last 20 years. Only those men with graduate degrees have, on the average, been able to maintain their real earnings, let alone increase them. Women with college education have enjoyed very slight real earnings increases. Real wages have risen for men only at the highest percentiles and then only slightly along with modest increases for most women. Family income has fallen for those who were already the worst off and has increased for the rest only by adding to their hours of work. The rich have become richer and the poor poorer, both pinching the middle. Contributing to faltering family income has been a recent decline in two-earner families. After climbing throughout the 1980s, two-earner households declined from 45.8 percent of families in 1989 to 44.9 percent in 1993. Another evidence of labor displacement is the rising share of families without any earners--21-8 percent of families in 1993. An income distribution which had taken on oval shape is beginning to look more like an hourglass. Ultimately, this should be of concern to all because mass production depends upon mass consumption which requires mass purchasing power. But to now those whose economic expections are frustrated appear to be taking unfocussed aim at government rather than employers.

Figure 1

Real Hourly Wages for Men by Level of Education

Real wages have fallen for men of all education levels, but those with the least education have been hurt the most.

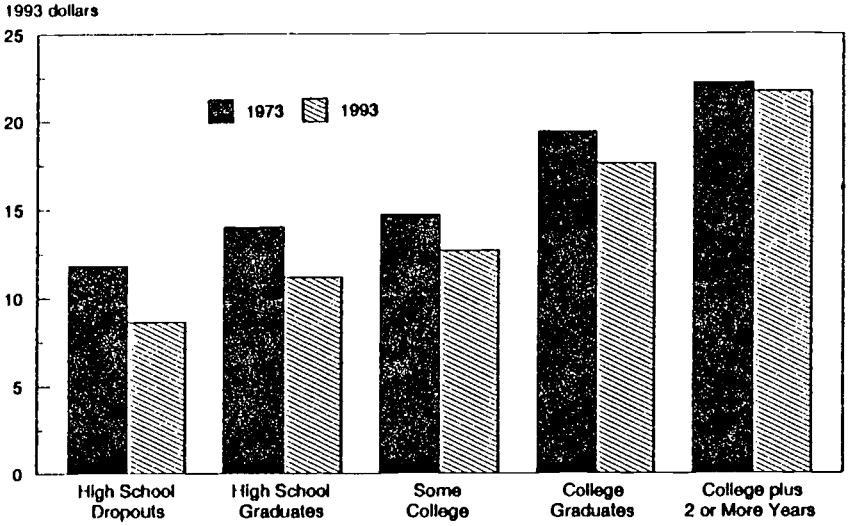


Figure 2

Real Hourly Wages for Women by Level of Education

Women with at least some college education have seen modest wage gains, while wages have fallen for those without.

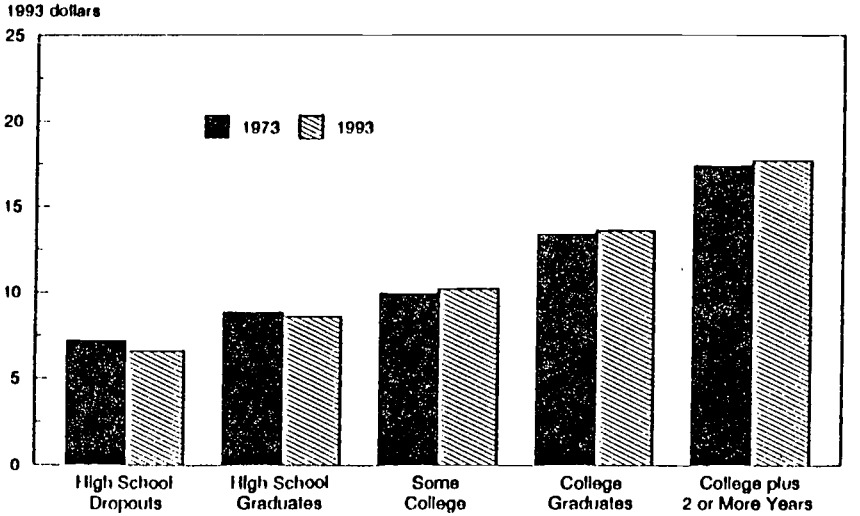


Figure 3

Real Hourly Wages for Men by Wage Percentile

Real wages have declined for all but the highest-paid male workers.

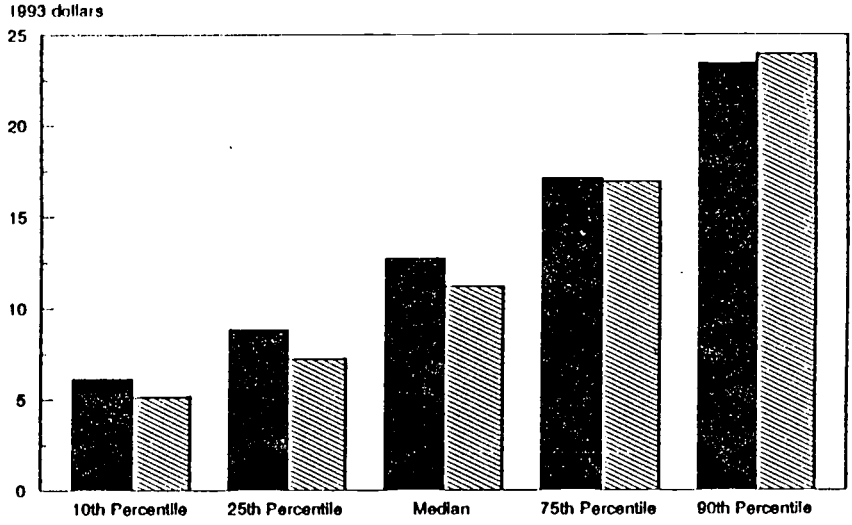


Figure 4

Real Hourly Wages for Women by Wage Percentile

Women at all wage levels received increases in pay, but those at the top gained the most.

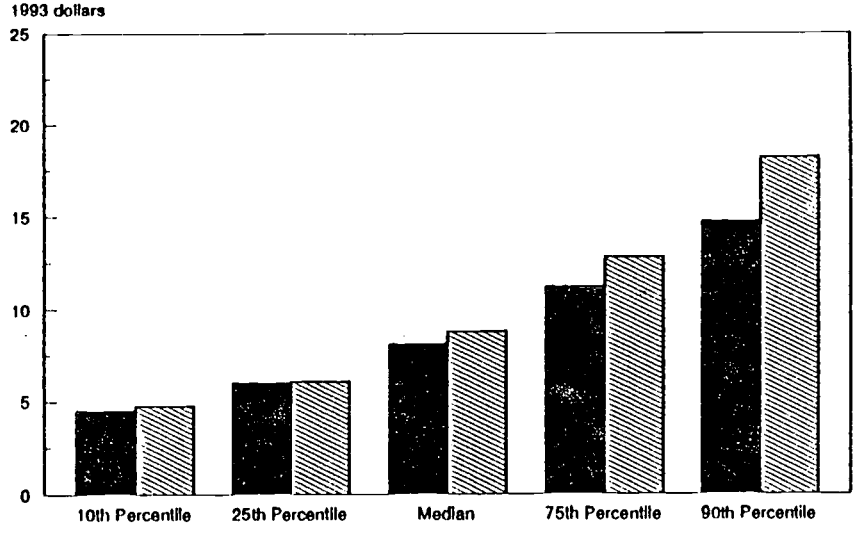
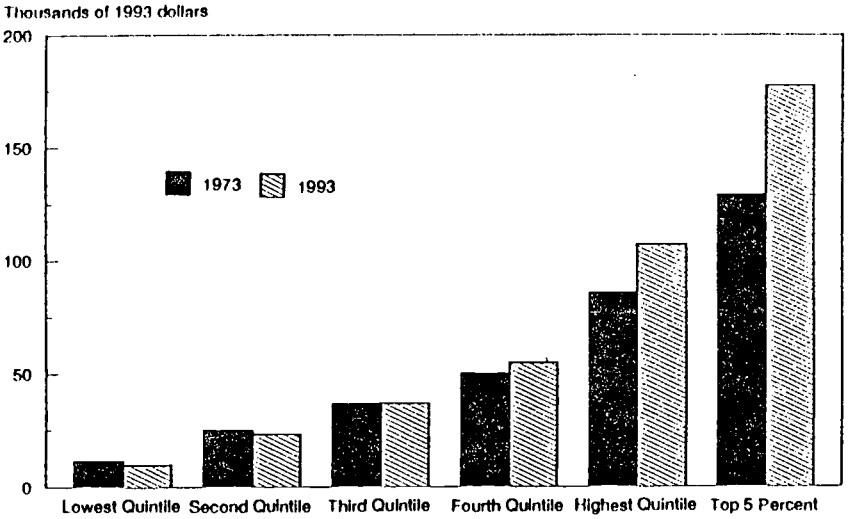


Figure 5

Average Family Income by Quintile
Incomes have fallen for the poorest forty percent of families.



Poverty fell from 22 percent to 11 percent of the U.S. population between 1960 and 1973, then rose again to 15 percent by 1993. Even after taxes and transfer payments, the poverty rate rose from 9 percent in 1979 to 12 percent in 1993. Children in poverty fell from 27 percent in 1960 to 14 percent in 1973, then rose again to 23 percent in 1993. Not unrelated was the fact that the proportion of children living with one parent tripled from 9 percent in 1960 to 27 percent in 1993, 46 percent of families headed by a single woman being poor. The poverty rate for pre-school children in households headed by single women was 65.9 percent in 1992. Nevertheless, the recent *increases* in the number of children in poverty have occurred in married couple and single male-headed families. The poverty rate for whites in 1992 was 11.6 percent, for Asian-Americans 12.5 percent, for Hispanics 29.3 percent and for African-Americans 33.3 percent.

None of this is new to this audience but is worth consideration in exploring the appropriate objectives for workforce development efforts and the likely effectiveness of various alternatives.

Employment and Wages

Most of the shift in income distribution has occurred not because of rising unemployment or falling labor force participation but because of declining earnings of most of those employed. Though higher than the rates of the 1950s and 1960s, unemployment rates on the average have not increased since the early 1970s. The proportions of those working parttime who would have preferred full time work and the discouraged workers--those wanting jobs but discouraged from seeking them--have trended upward (Figure 6), but again are not the major factor. The primary explanation for the income distribution trends is declining real earnings for those at work. Figure 7 illustrates the rising proportion of men and falling proportion of women earning poverty level wages between 1973 and 1993 and Figure 8 illustrates the trend by race and ethnicity.

Figure 6

Real Rates of Underemployment, 1973-93

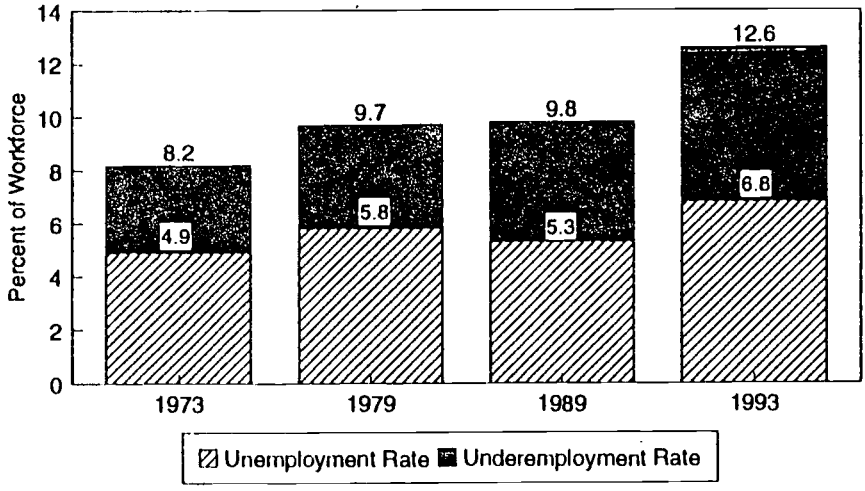


Figure 7

Percent of Workers Earning Poverty-Level Wages, 1973-93

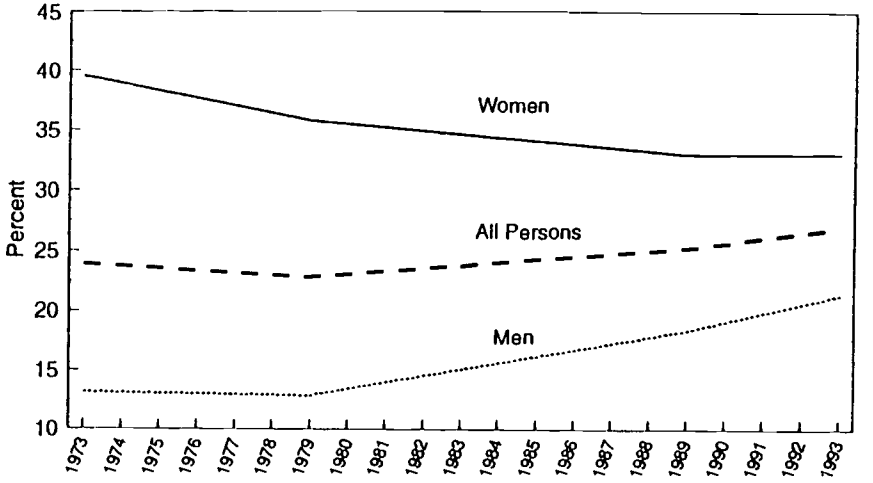
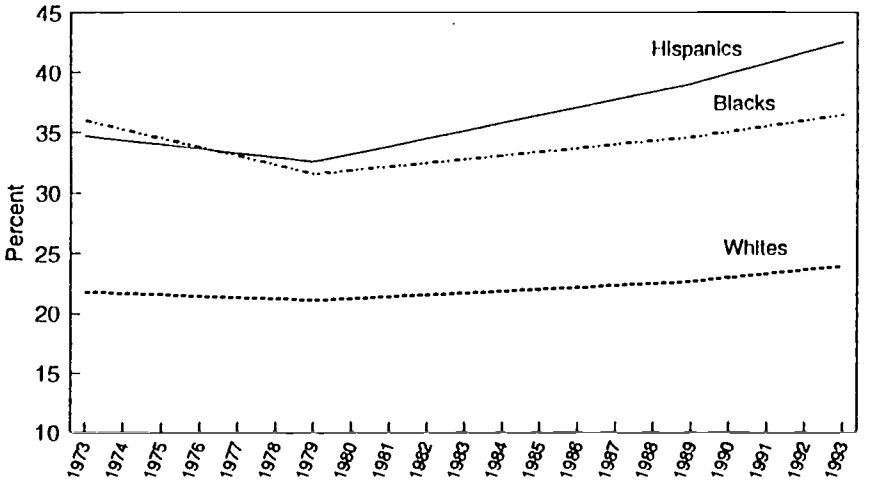


Figure 8

Percent of Workers Earning Poverty-Level Wages, by Race/Ethnicity, 1973-93



As illustrated earlier, the major explanatory factor in wage trends appears to be education (Figure 9). Where once high school education was enough to earn a living wage, the value of a high school diploma is declining (Figure 10), resulting in the college wage premium indicated by Figure 11.

Figure 9

Hourly Wages by Education, 1973-93

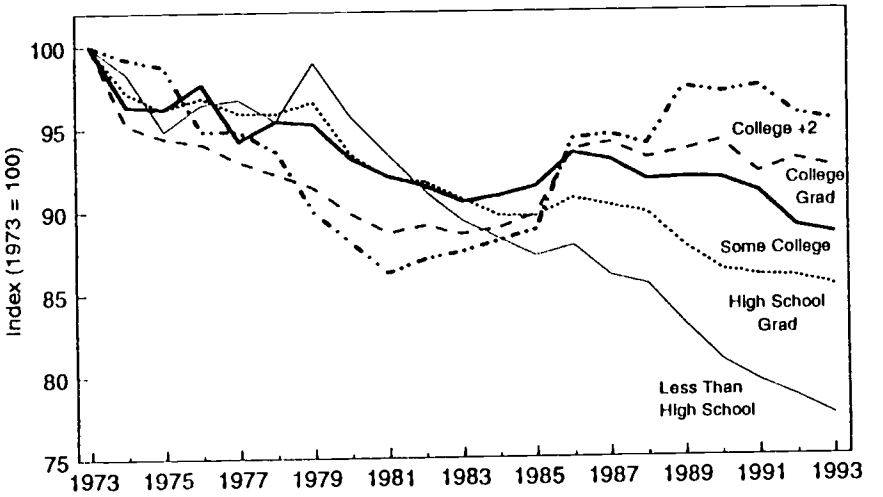


Figure 10

Entry-Level Wages for High School Graduates, 1973-93

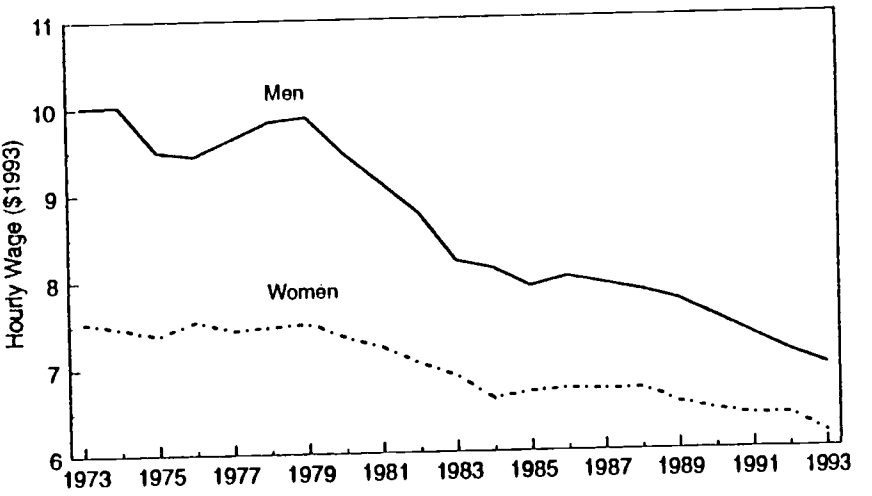
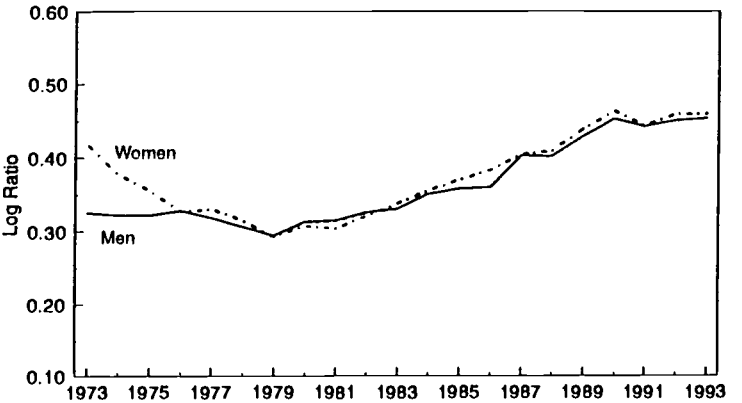


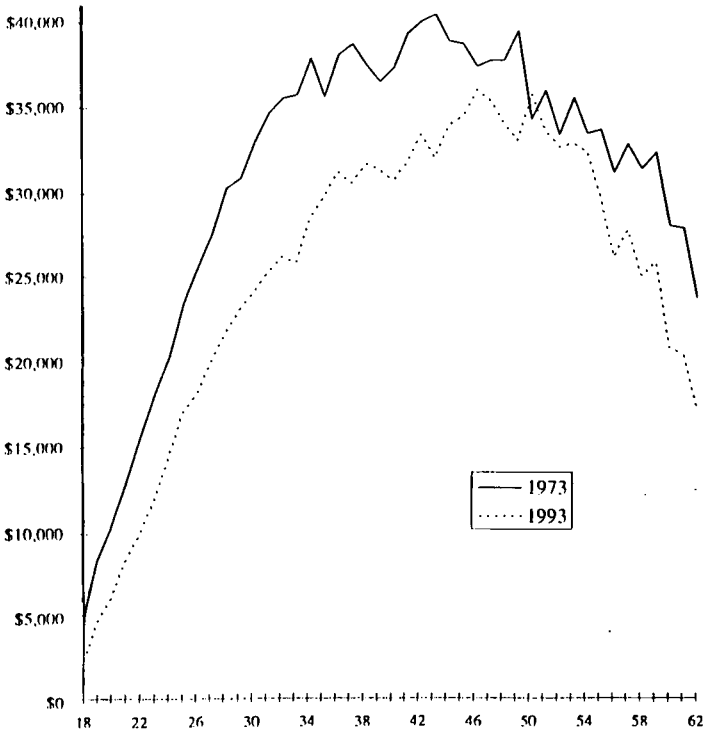
Figure 11
College/High School Wage Premium, 1973-93



Figures 6-11 are from Mishel and Bernstein, *The State of Working America, 1994-95.*

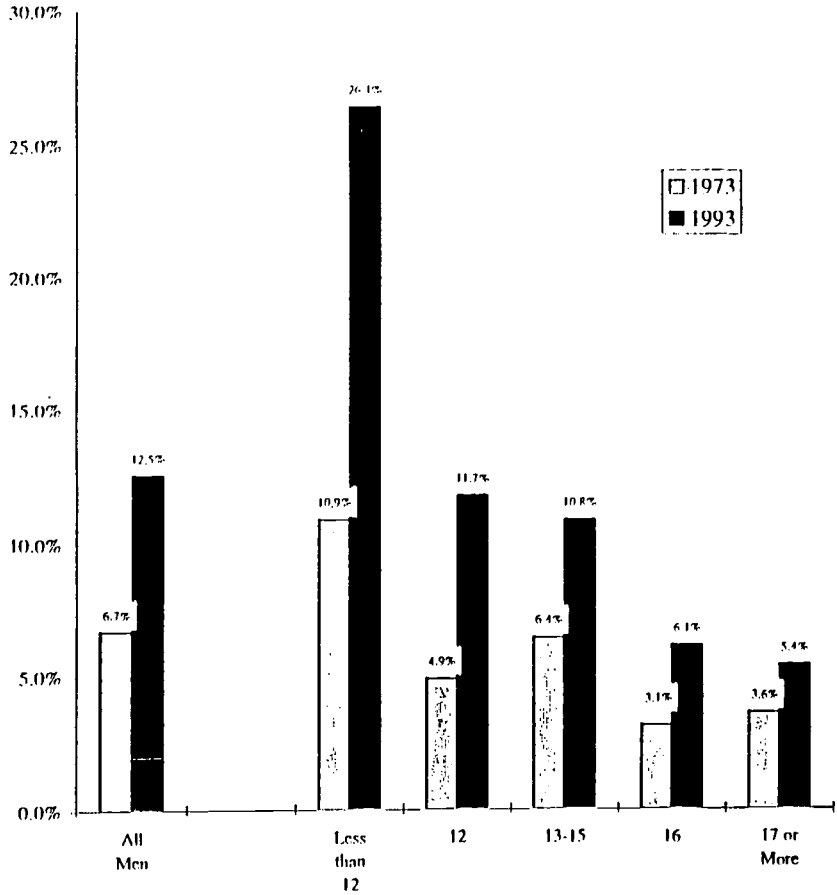
Males especially have suffered in that regard, particularly at younger ages (Figure 12), contributing to the political pundits' explanations of current voting patterns.

Figure 12
Mean Real Annual Earnings of All 18-62 Year-Old Males, by Age, 1973 and 1993 in 1993 Dollars



Note in Figure 13 the high proportion of less than high school males with no earnings in the relevant years.

Figure 13
Percent of 18-62 Year-Old Males With Zero Earnings, by Educational Attainment, 1973 and 1993



Focussing on young adults, their employment/population and full-time employment/population ratios have been quite stable in recent years (Figure 14), but look at their wages, Figure 15 for young men and Figure 16 for young women. The outlook for family structure may also be read in the wage ratios of younger to older men (Figure 17) and young women to young men (Figure 18). The latter, of course, is not because the young women's wages are rising but because the men's have been falling.

Figure 14
Employment/Population Ratios of Non-Enrolled 16-24 Year-Olds, 1987-94

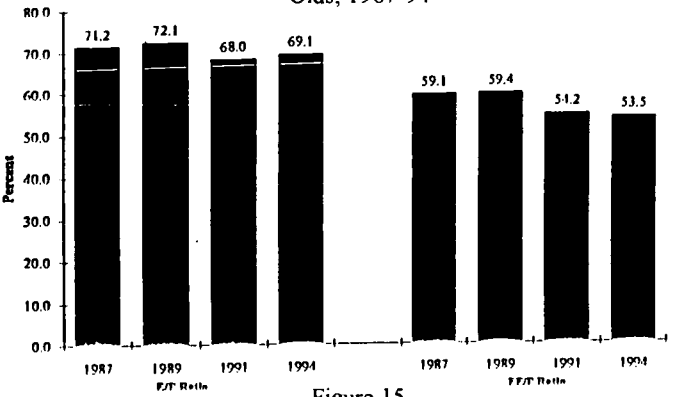


Figure 15
Trends in the Median Weekly Earnings of Full-time Employed Men, 16-24, 1967-94

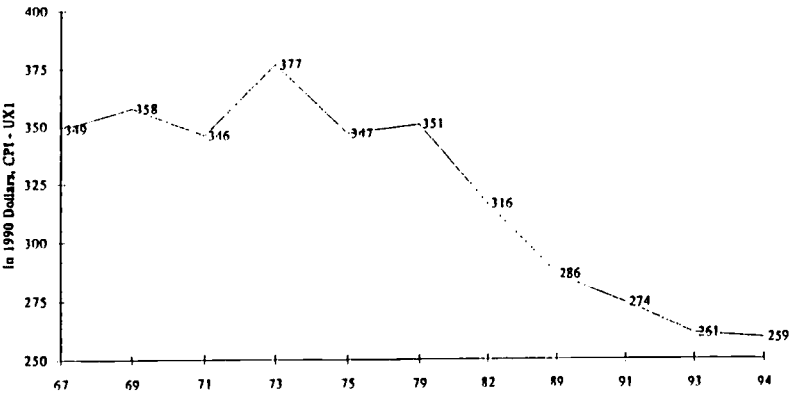
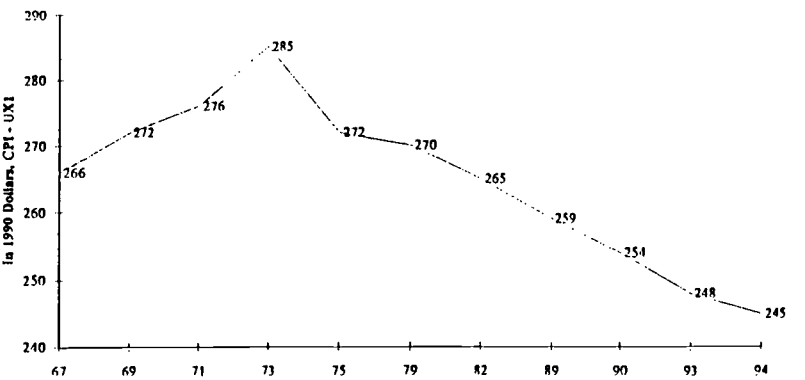


Figure 16
Trends in the Median Weekly Wages of Full Time Employed Women 16-24, 1967-1994



Figures 12-16 are from Sum, Taggart and Fogg, *Dreams to Dust: The Deteriorating Labor Market Fortunes of Young Adult Men and Women.*

Any solution to poverty in two-parent families and any reversal of deleterious income distribution trends will involve improving the earning capacity of these non-college-trained young adults.

The Welfare Reform Issue

The income plight of the single-headed family and welfare reform are the same issue. The nation appears to have made up its mind to end public welfare as a dole but has not yet faced up to the requirements for work-based income maintenance system. A few numbers will illustrate the challenge. Of the 3.6 million AFDC mothers in 1993, only 38 percent were high school graduates compared to 85 percent of all 25 to 34 year-old women. Only one in eight had any schooling beyond high school and 72 percent of those taking the AFQT test of general problem solving ability scored in the bottom quartile. Young poor mothers average two years of work experience, usually only short-term or part-time, compared with five years for their nonpoor counterparts. Those AFDC recipients 18 to 22 years of age who thereafter obtained jobs averaged $6.00 an hour which, with two children, would have just brought them to the poverty line if they had been able to work full-time full-year. Their wages rose at an average annual rate of 1 percent compared to an average of 4.8 percent for non-AFDC dependent women. The AFDC female adult population appears to have two things in common: (1) they all became involved with the wrong man at some point in their lives, and (2) employers are unlikely to clamor for their services.

But that is less than one-half of the welfare reform issue. Supplementary Security Income has experienced explosive growth during the past five years and now has more cases than does AFDC. And the primarily disabled SSI recipients are far less employable.

Underclass Urban Youth

William Julius Wilson who probably coined the phrase "urban underclass" speaks of a new urban poverty wherein concern for the working poor is being replaced by focus on the jobless poor. He might have been more accurate to speak of a generation for whom "job" has no meaning. A few statistics from Bluestone, Stevenson and Tilly comparing the situation of out-of-schooll 20-year old black men in 1964-68 and 1984-88 will suffice for our current purposes, though the phenomenon is by no means limited to African-Americans:

~Among high school dropouts, the average jobless rate (defined as a full year without employment or earnings) climbed from 6 percent to 36.1 percent

~Among high school graduates the average jobless rate rose from virtually zero to 14.3 percent

~Among high school dropouts who worked at all during the year, the number of weeks of employment fell from 39.1 to 33.6 and from 41.3 to 40.5 for high school graduates

~Over those twenty years, real annual earnings fell 18 percent for black male graduates and 47 percent for dropouts

~This deterioration in labor market outcomes has occured disproportionately in central cities. In the mid-60s the annual earnings of central city young men was nearly 20 percent higher than those living in the suburbs. Twenty years later suburban earnings were 20 percent higher than central city

To Wilson the tragedy is sociological rather than economic: "Regular employment provides the anchor for spacial and temporal regularity in social organization." The fact that conditions for black young women in the same labor markets have actually improved in many ways is further destructive of traditional relationships and contributes in turn to out-of-wedlock births and to welfare dependency.

This is just one more challenge to be confronted by the workforce development system. More could be enumerated but the issue is raised: Are the modifications we seek to make in the system likely to enhance its ability to meet its challenges?

Can We Afford To Do Better?

But in a world of reluctant taxpayers and amidst an endemic federal deficit can we afford to do any better than we are doing?

The issue is political rather than economic. The deficit must be brought under control. It would be both unwise and impossible even to attempt to balance it annually. Not only would that mean, for instance, cutting unemployment insurance expenditures whenever unemployment rose, but the recession declines in federal

revenues would always outstrip the budget cuts. If we were politically as well as economically wise, we would have separate consumption and investment budgets, balancing the former over the business cycle and accomodating the latter to the returns on the investments made. As it is, the pursuit should be a balance of all expenditures and revenues over the business cycle. The emphasis should be on automatic rather than discretionary stabilizers. Congress has never been capable of acting promptly enough to legislate recession relief before the recovery was underway. But the rise in a recession of such expenditures as unemployment compensation is automatic, helping to sustain the overall economy as well as the unemployed. The objective of balancing the budget over the business cycle is unlikely to be met but if we pursued it vigorously we could at least return to the traditional situation where the national debt, except in wartime, declined continuously as a proportion of the gross domestic product, an admirable and sufficient accomplishment.

But a balanced budget commitment without tax increases need not prevent a relatively rich country from meeting its higher priorities. The question is simply whose ox is to be gored as federal expenditures decline. Remembering that the average age at death was approximately 60 years in 1935 when we set the retirement age at 65 is a clue to solving both the social security and Medicare challenge now that the average age at death has reached 75. Then the average person reaching 65 could expect to live 12.6 more years, now the expectancy is 17.5 years. Raising the retirement age for both income maintenance and health insurance to 70 within a very short few years and then raising it perhaps another year for each two years of longevity would maintain the viability of those programs as far into the future as the imagination can see. We all know that farm price subsidies doubly burden taxpayers and consumers but never go to poor and rarely to middle income farmers. Congressional pork-barrelers insisting the Pentagon accept expensive weapons it hasn't ordered is another relevant example. The Cato Institute has identified $85 billion in "corporate welfare" and the Citizens for Tax Justice has found $455 billion in "tax expenditures," most of which they think we could do without.

We could and would all argue over the specifics, but the point is that the budget need not be balanced on the backs of the poor or the needy. Resources are not the issue in workforce development; priorities are. That is not to argue that every workforce

development or antipoverty program ought to survive. No public expenditure ought to continue unless it can be reasonably shown that its benefits exceed those of alternative uses of the same resources.

The challenge is a dual one. Can we design workforce programs that work and then can we convince decisionmakers that those programs deserve higher priority than many current uses of the taxing power?

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BLOCK GRANTS - KEY TO THE "NEW(T) FEDERALISM"

by Richard P. Nathan

Having spent most of my professional career studying American federalism, I know there are few opening lines that can put people to sleep faster than saying you are going to talk about federalism. But there should be no snoring at this briefing. Going back thirty years, I cannot remember a time when changes in American domestic public policies were occurring more rapidly and more fundamentally. Block grants, as the title of this paper indicates, are the key to the "New(t) Federalism" of the 104th Congress. The story line of this "Devolution Revolution" is the rising role of the states. It is not clear yet which block grants will be enacted this year, what form they will take, and what areas will be on the front burner for block grants next year in the second session of the 104th Congress. But the argument is not hard to make for everyone interested in U.S. domestic and social policy that federalism and block grants are the hot subject right now.

The 1995 Devolution Revolution

The devolutionary policies of the new majority in Congress do not stand alone. They are part and parcel of the strong movement in the country towards conservatism and limiting government which is being played out now in the legislative and budget processes. Some cynics see the new devolution as a tactic (even a cover) for conservatism, with budget reduction, including the Balanced Budget Amendment to the U.S. Constitution, as its operational modus vivendi. This is understandable, but doesn't gainsay the point that the new devolution is distinctive and likely to be very strong.

American federalism was (more accurately is) a great experiment in historical terms. It is necessary to say more about our origins before going into specifics about why the new devolution (the 1995 brand) is so important and what its consequences might be. K.C. Wheare, a British political scientist and authority on federal systems of government, said that the American Framers invented modern federalism in the sense that the citizen is a citizen of both the nation and the state, unlike the confederal form where the states, in effect, are members of a league or club. This is what the brilliant Madison meant by his reference to "the great composition," a system of government "that is neither wholly national, nor wholly federal."

Madison in Philadelphia, along with his then-friend, Alexander Hamilton, wanted to centralize power. Appropriately, they used Madison-Avenue techniques in The Federalist Papers to reassure the ratifying electorate of New York (which Library of Congress historian James Hustin called "the people out of doors,") that the states would still be very prominent. Madison, the politician (never as good at that as Madison the political scientist) later shifted his ground on the very federalism bargain he crafted. But the point remains that the original design was both centrist and deliberately fuzzy, and in the latter sense especially was a great experiment as to what the fuzz would come to mean.

Experts have argued since the Founding that the strong trend over time has been to centralize, citing the Civil War, the New Deal, the strong role of the courts, and the advance of technology and economic interdependence as forces and factors that fueled this centralization trend.

I have advanced a different view, which will now be tested. I confess to having a somewhat narrow view of federalism focusing on fiscal flows, and I readily admit that this is not the whole story. Nonetheless, it is a very important part of the story. Hence, the new block grants (cutting, capping, and consolidating existing programs) are strong instruments (stronger than most people yet realize) for consequential federalism changes.

Block Grants For Entitlements

Sharpening the point, I believe new block grants under consideration in the 104th Congress are potentially a bigger deal for U.S. domestic policy than Lyndon Johnson's Great Society, Richard Nixon's New Federalism, and Ronald Reagan's 1981 budget and grant blocking changes. This "Big Deal" is such because it represents a break with the past 50 years of a steady accretion of entitlement-type Federal grants-in-aid. Specifically, I refer to the devolution of family welfare, (the Aid for Families with Dependent Children program) and Medicaid. Also under consideration as new block grants included in the House-passed welfare bill (H.R. 4) are child welfare services, school feeding and other nutrition programs, foster care and adoption programs, and, in related legislation, food stamps. Taken together, these changes in entitlement grants-in-aid would cut a large hole in the national safety net for the poor.

Today, two thirds of all federal grant-in-aid spending is for entitlement-type programs, a proportion that has grown

dramatically in the last 20 years largely due to the rise in Medicaid spending, which is by no means just a poverty program. This two-thirds ratio does not include food stamps. Even without the capping, cutting, and devolving of the food stamp program, there are sure to be devolutionary trophies for governors Engler, Thompson, and Edgar and their 27 Republican gubernatorial colleagues. Only one highly populous state (Florida) now has a Democratic governor. Governors Engler, Thompson, and Edgar are calling the shots, and deserve the largest credit or blame - chose your descriptor - for the 1995-style New(t) Federalism. In particular, devolving the responsibility for aiding the poor to the states lock, stock, and barrel (or anyway very nearly so) is a momentous change in American public affairs.

There are three main types of federal grants to states and localities for (1) operating purposes, (2) capital purposes and (3) those for entitlements (transfers in cash and in-kind) to people that flow through the states. The latter type of grants - entitlement grants - now dominate the federal aid landscape. We have created block grants in the past for operating and capital purposes, but have never blocked entitlement grants. Doing so represents a watershed for U.S. intergovernmental relations as described in Attachments 1 and 2, which present a history of block grants. The essential question is whether the national government should guarantee aid (money, food and food stamps, and health care) to the poor for so-called "safety net" functions. Republicans in the past have said these safety net or transfer-payment functions - guaranteeing such aid - should be a national responsibility. President Reagan repeated his position on this point many times, as for example when he said in his 1982 State of the Union Message: "We'll continue to re-direct our resources to our two highest budget priorities - a strong national defense to keep America free and at peace and a reliable safety net of social programs for those who have contributed and those who are in need."

Close observers of the discussion to date of potential areas for new block grants know that some of the current candidates for new block grants are entitlement programs and others are better classified as operating programs. In my opinion reflecting the situation right now, there is a strong likelihood that the AFDC program will be capped and blocked in 1995 and that current maintenance-of-effort and state matching requirements will be eliminated. The big question mark for 1995 - and the big enchilada

for the "Devolution Revolution" this year - is Medicaid. It is key to the 1995 action on the "Devolution Revolution." The budget reduction goals in the Congressional budget resolution is $180 billion over seven years. The House Commerce Committee has approved a block grant approach for Medicaid. On the other hand, when this paper was written the Senate Finance Committee was evenly divided (10-10) on this issue. If both Medicaid and AFDC are blocked without state financing requirements this year, regardless of what other block grants are created, the conclusion one would have to draw is the one stated earlier: This is a "Big Deal" for American federalism and U.S. domestic policy. Speaker Gingrich and other leaders of the new Republican majority in Congress have promised to push other block grants next year in 1996, both for entitlement purposes, (as in the case of food stamps) and for operating grants, for example, for employment and training (where grant proliferation is pronounced), housing, elementary and secondary education, and child care and children's services. The Clinton Administration in a special section of the FY 1996 Budget lists 271 existing programs to be consolidated into 27 new programs (Table S-7). Some of these proposals are similar to those advanced by Republican leaders in the Congress; others are not.

Trying to Keep Score

It is hard to keep score on these developments because they are so fluid with different positions taken in the House and Senate in terms of the scope, finances, structure, and timing of action for different grant consolidation packages. For example, the temporary assistance block grants to replace AFDC are proposed to be authorized for $15.4 billion annually in the House and $16.8 billion in the Senate. The difference in large part represents the inclusion of child care authority in the welfare bill reported by the Senate Finance Committee bill, whereas these programs (plus others) are authorized as a separate block grant component of the welfare reform bill that has passed in the House (H.R. 4). In the case of an employment and training block grant, the Goodling "Careers" bill reported in the House could cost in the range of $5 billion per year; the Kassebaum $7 billion workforce development block grant reported in the Senate is similar though more comprehensive. The General Accounting Office has identified 163 employment and training grant-in-aid programs, which are

discussed as candidates for a workforce development block grant. The House bill consolidates 100 programs into four grants to states; the Senate bill consolidates 91 programs.

We have constructed a "Score Card" on a rough and ready basis on the status of grant blocking developments in the Congress, although it requires almost daily modification. A big part of the problem with this exercise is that different members of Congress have very different ideas about what can be classified as a "block grant." The idea is popular now, and as a result the term is used to describe policy changes that are not only apples and oranges of difference in their basic character, but also watermelons (like Medicaid) and peanuts in their relative size. The grants now being discussed for consolidation into new block grants, plus those already so classified, account for the great bulk of all federal aid to states, localities, and nonprofit groups. The key question for analysts is, What will be in the block box this year? and beyond that, of course, what types of changes at the state and local levels will flow from new grant blocking actions?

The Competing Forces

For Beltway insiders, one can think of the great federalism debate of 1995 as between the forces of Engler and the forces of Greenstein. Governor John Engler of Michigan, aided by an able staff, is the intellectual and strategic leader pushing the block grant strategy of the Republican governors in the Congress. The Engler approach of abolishing national entitlements, not raising "Pandora's Box" formula issues, and removing state funding requirements competes with that of the Center on Budget and Policy Priorities headed by Robert Greenstein. He is also a knowledgeable expert on national social policies; Greenstein and company have advanced proposals - "Yes," to meet the budget-reduction targets, but do so on a basis that preserves the entitlement status of existing programs (especially Medicaid), retains state financing in the equation, and stirs up (and seeks to change policies on) formula distribution issues. Right now, the forces of Engler seem to be in the ascendency, but the situation, as noted earlier, is very fluid.

In historical terms, a similar interesting comparison is that between Nixon's, Reagan's, and Gingrich's brands of New Federalism. Nixon proposed increased spending to enhance state flexibility, essentially - "A Help em and Bribe em" - strategy grounded in revenue sharing and block grants to the states for

operating and capital (but not entitlement) purposes. Reagan took a trade-off approach: We'll give you (the states) less money in exchange for more flexibility, while at the same time preserving the idea of a national safety net for the poor. Gingrich goes the whole nine yards: Less money, lots more state discretion, and devolve the national safety.

The Cyclicality of the State Role

Turning now to speculation about the possible consequences of the changes being considered, I want to go back to the comment made above about my different view of U.S. federalism. With the focus on fiscal flows, I observe that there is a cyclicality in our federalism whereby the role of the states grows in conservative periods and declines in liberal periods. The swing variable in this cyclical pattern is political ideology. In conservative periods, the role of state governments has been enhanced, whereas in liberal or pro-government periods, the role of the national government has grown. This cyclical pattern has an almost mathematical character. In liberal periods, those who favor increased governmental activity often find it efficient to lobby for their interest at one place, the center. In conservative periods, the proponents of new or increased governmental activity have fewer opportunities; they have to try to get changes adopted wherever they can. It is not surprising, therefore, that pro-government lobbying activities are focused on those subgovernments, particularly states, in which there is support for a stronger role for the public sector. States - not all states, but many of them - have been the centers of activism and innovation in domestic affairs in conservative periods in our history.

In the early years of the twentieth century, the states were the source of such progressive policy initiatives as workers' compensation, unemployment insurance, and public assistance. Twenty-one states enacted workers' compensation laws prior to 1913. Other states followed suit. The same is true of public welfare programs. According to Michael B. Katz, "Between 1917 and 1920, state legislatures passed 400 new public welfare laws; by 1931, mothers' pensions in all states except Georgia and South Carolina supported 200,000 children; and in constant dollars, public welfare expenses, fueled especially by mothers' pensions, increased 168 percent between 1903 and 1928." In a similar vein, James T. Patterson noted that the states "preceded the federal government in regulating large corporations, establishing minimum

labor standards, and stimulating economic development," although he added, "the most remarkable development in state government in the 1920's was the increase in spending." In this period when the United States was "Keeping Cool with Coolidge," it was state government policy initiatives that planted the seeds of Franklin Roosevelt's New Deal. State initiatives formed the basis for many of the major national government programs adopted under Roosevelt.

A similar spurt of state initiatives in domestic affairs characterized the conservative period in the latter part of the nineteenth century: "The first great battles of the reform movement were fought out in the states." Examples of state innovations adopted during that time are compulsory school attendance laws and the creation of state boards of education, reforms of political processes, a growing role for state boards of charity, child labor laws, and state regulatory policies in licensing and zoning.

One hundred years later, beginning in the 1980s, the pendulum of U.S. domestic policy again swung to a conservative position. Five factors contributed to the concomitant rising role of the states. One is the conservative, devolutionary domestic policies adopted by the Reagan administration. A second and longer-run factor underlying state activism is "the modernization movement in state government," which occurred beginning in the mid sixties. The phrase refers to reforms adopted by states to increase their managerial and technical capacity in order to take on new and expanded functions. In a 1985 report, the U.S. Advisory Commission on Intergovernmental Relations concluded that "state governments have been transformed in almost every facet of their structure and operations." A third factor was the effects of the Supreme Court decision in Baker v. Carr (1962). This decision reduced the rural-urban political imbalance of state legislatures and increased general public support for an increased role for state governments. A fourth and related factor was "the end of southern exceptionalism." Martha Derthick believes that the civil rights revolution and integration in the South created a situation in which "the case for the states can at last begin to be discussed on its merits."

Finally, the strong recovery of the U.S. economy from the 1981-1982 recession contributed to the resurgence of the states in the 1980s. This factor interacted in an important way with Reagan's devolutionary policies to highlight the state role.

Typically, state governments overreact to national recessions, battening down their fiscal hatches by cutting spending and raising taxes to balance their budgets. The strong recovery from the 1981-1982 recession beginning late in 1982 meant that state coffers were filling up just as Reagan's federal aid retrenchment policies were beginning to be felt. This high volatility of state finances put state governments in a position after 1982 to spend more and do more in those functional areas in which the federal government under Reagan was pulling back or signaling its intention to do so.

The coming together of these trends produced a resurgence of the state role in American federalism. We found evidence of this change in the response to Reagan's domestic budget cuts, his creation of new block grants, and other changes in federal grant-in-aid programs. Data from the U.S. Bureau of the Census show in the aggregate that state governments increased their role during the Reagan years. From 1983 to 1986, as the Reagan retrenchment and federalism policies took effect, state aid to localities increased by an average of 5.6 percent a year in real terms, that is, adjusted for inflation. Total state spending rose by nearly the same percentage. Prior to that, from the mid-1970s to 1983, both state aid to localities and total state spending had been level in real terms. Considerable variation does exist, however, in all of these program areas reflecting U.S. Supreme Court Justice Louis Brandeis's famous characterization in 1931 of state governments as laboratories that can "try novel social and economic experiments without risk to the rest of the country."

There are no ready calipers for measuring the activism of individual states. Studies by political scientists Jack L. Walker and Virginia Gray indicate that over time it has been the larger, older, and ideologically most liberal or progovernment states that have tended to be most innovative. Our research suggested a broader distribution of state innovation in response to Reagan's domestic policy and devolutionary initiatives. Southern and western states, and those that are changing ideologically toward a more liberal stance on the role of government, also enhanced the role of state government in the eighties.

What Next?

Readers who have gotten this far are sure to expect that the question I want to consider next is whether this cyclical pattern will be sustained in a period (somewhat surprisingly to many observers)

of much stronger national conservative sentiment and action than the Reagan-Bush years. Many of the critics of the New(t) Federalism predict dire consequences for social policy. The reigning shorthand for this is "the race to the bottom," referring to the idea that the states will compete to lower benefits, keep out the poor, and thus shore up their economy in the competition among the states for low taxes and new business. Insiders cite the fact that the Engler-Thompson-Edgar-Gingrich team, by insisting on dropping the requirement for state maintenance of effort, as well as the capping, cutting, and the string-loosening of entitlement-type grants, have set the table for spreading their conservative budget-cutting formula from Washington to states and localities. I must say that intuitively this is a pretty convincing interpretation that knocks the socks off my cyclicality theory of American federalism.

This is one surmise. But there is another possibility. It is that some states will buck the trend. They will find genuinely new and more politically supportable ways to help needy people, especially children and families, by merging funding streams. (Real life is not divided up like federal aid categories.) I am not predicting this, but I am very curious about whether it will happen. Linkages between health managed care systems and family and job-finding services are going to be easier to make under the New(t) Federalism. Maybe (just maybe) the hardening of the categories in Washington and the madness of mandates are the big barriers to progress in providing human services that conservatives have been telling us is so for generations. There is another reason why the cyclicality theory might hold up that involves an actor on the federalism stage, an actor that has played a leading role for a long time. I refer to the courts. The courts - federal and state - could step into the new void of standard setting for social action in a way that would force the states to spend more than they might otherwise choose or want to spend under the new block grants. Martha Derthick has argued for years that the courts are calling the shots in American federalism.

So pay your money and take your choice. How will the states respond to the great experiment in federalism of 1995? The question of course has more parts to it than that involving the magnitude of state and local spending. What policies will be adopted to put welfare mothers to work, curb out-of-wedlock births, prevent family break ups, save children, increase the efficiency of health and other service systems? How well will these policies be

vary among the states? Which groups will win? Which will lose? What will providers (profit and non-profit) do to maintain their programs and mobilize their constituencies? What effects will the new policies have on the fabric of community life, the schools, the constant tension between cities and suburbs, the politics of state and local governments?

I submit a paper by my colleague, Steven Gold, which provides a useful recent history of block granting.

Summing up, I regard this paper as adjustable - a work in process and a mechanism of canvassing for ideas and reactions from other experts about the way we should study and fashion hypotheses about the effects of the new experiment for American federalism on which we appear about to embark.

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The ABCs of Block Grants

Steven D. Gold

HIGHLIGHTS

The result of creating block grants depends in part on which programs they replace, whether they were entitlement or non-entitlement programs, and whether they were growing rapidly or not. While block grants may result in increased flexibility that makes programs more efficient, they also are less responsive to changes in the need for programs, for example, during a recession. Block grants stimulate state spending less than open-ended matching grants.

Block grants are in fashion in Washington these days, and they are likely to play a major role in Republican efforts to revamp the federal system. What are the implications for state governments? Are they a good thing, as some governors have maintained, or do they portend serious problems, as others charge? Two issues must be separated. First, what is the appropriate federal role in addressing a national problem? How much federal money, if any, should be spent on programs in a particular area? Second, if there is a role for the federal government, should it provide a block grant or use some other approach, such as a a categorical grant or a

federally-administered program? A block grant is simply a tool for furthering a federal objective and should be compared with other available tools.

WHAT IS A BLOCK GRANT?

Block grants have five characteristics that distinguish them from most other grants, which are referred to as categorical grants:

~They are broader in scope and offer greater state discretion than categorical programs.

~They allocate funds based on a statutory formula based on statistical factors like population and income rather than in the form of individual grants for particular projects.

~The amount of federal spending is limited in advance. (This is also true for some but not all categorical grants.)

~They do not require states to provide their own funds as a match for the federal aid. (Many categorical grants do require states to match federal outlays.)

~They are successors to existing programs, which may be either grants or federally-operated programs.

The last characteristic implies that block grants cannot be analyzed by themselves. They have to be considered in comparison with the programs they replace, which may be either categorical grants or direct federal spending.

HISTORY OF BLOCK GRANTS

Although most block grant proposals have been advocated by Republicans, the first one was enacted under a Democrat, President Lyndon B. Johnson. It was an anti-crime program that distributed funds according to population and required states to pass through 75% of operating funds to localities.

President Nixon was the first president to make block grants a major initiative. While Congress rejected most of his proposals, two new block grants were created, one for manpower training and the other for community development.

In 1981, President Reagan proposed numerous new block grants, and Congress enacted nine, consolidating more than 50 categorical programs. The 1982 appropriations for these grants were $7.3 billion, which represented a 12% cut from the previous year. The largest of the new block grants was for social services, which absorbed a 25% reduction. The Social Services Block Grant did not consolidate programs. Rather, it converted one existing categorical grant into a block grant.

The fate of these Reagan block grants differed considerably in later years. Most of them did not keep up with inflation. Only two of the nine

had real spending increases between 1983 and 1993, while six fell 17% or more in real dollars.

Several more block grants have been created since 1981, for child care and development, job training, transit capital and operating assistance, and surface transportation. There are now 15 block grants with funding of $32 billion. They represent a relatively small share of total federal aid to states, which was $206 billion in 593 programs in fiscal year 1993. More than half of all block grant funds, $17.5 billion, are in the surface transportation block grant.

1995-STYLE BLOCK GRANTS

At least eight blocks grants are being discussed currently, dealing with the following areas:

~Welfare cash benefits
~Child welfare (e.g., foster care) and child abuse
~Food and nutrition
~Housing
~Health (including Medicaid)
~Child care
~Employment and training
~Social services

The last three of these eight block grants represent modifications of existing block grants rather than completely new ones. While some of the 1995-style block grants are similar to their predecessors, others forge into new ground in that they cover programs that are currently entitlements (Aid to Families with Dependent Children, food stamps, and Medicaid). Expenditures for each of these programs are sensitive to national economic conditions, automatically growing rapidly during recessions as unemployment rises and the income of many people decreases.

COMPARED TO WHAT?

The result of creating block grants depends in part on what they replace, whether it is an entitlement or a non-entitlement program, and whether it is a federally-administered program (e.g., food stamps), an open-ended matching grant (e.g., Medicaid, AFDC, and foster care), or a capped matching grant. There is an important distinction between a block grant and a matching program from the point of view of how it affects the incentive for states to spend their own money. With a matching grant, states usually receive at least $1 of federal aid for each dollar they spend themselves. This provides a strong incentive for states to spend, since it is as though the price of spending has been cut. With a 1:1 match, it costs states only 50 cents to spend a dollar. With a 3:1 match, it costs them just 25 cents to spend a dollar.

By contrast, with a block grant, there is no price effect. If a state

spends a $1 of its own funds, this has no effect on how much federal aid it receives. So block grants do not stimulate state spending nearly as much as matching grants do. This distinction is much weaker if the federal allocation for the matching grant is capped. In that case, if a state is already receiving as much as the federal government will match, there is little difference between a matching and a block grant. When there is no cap on federal spending, the grant is called *open-ended*.

OVERVIEW OF EFFECTS

Analyzing the creation of new block grants is complicated for several reasons: (1) Creation of new block grants has numerous effects, some definitely desirable and others equivocal. (2) The effect of creating a block grant depends on the nature of the programs that go into it--whether they are numerous or single, whether they are programs that have been fully financed by the federal government, open-ended categorical matching grant programs, or other kinds of grants. (3) Block grants differ considerably in terms of how many restrictions they impose on state use of the funds and whether they allow for inflation and growth of needs over time.

In evaluating block grants, one also has to consider how they are designed. Do they eliminate many restrictions on use of funds? In theory, they should, but some block grants still contain many restrictions. Also, how much is funding reduced initially? Is adequate provision made for inflation and the growth of the population needing the services affected?

Pro-block grant arguments

An Urban Institute study of block grants noted three common arguments for them:

1. Grant programs can be administered better by both federal agencies and recipient governments if narrow categorical restrictions are removed. (This benefit of increased flexibility is discussed in the next section.)
2. Categorical grants have the potential to be "the porkiest of the pork" in that they provide specifically identifiable program benefits to specific and narrowly drawn constituencies for which individual congressmen can take credit.
3. Block grants are a means of controlling expenditures, either slowing their growth or actually reducing them.

While the second argument may have been important in the past, it does not seem particularly relevant to the 1995 debate. The first and third arguments are the principal ones that have to be weighed in the present context.

A CATALOGUE OF EFFECTS OF BLOCK GRANTS (IN NO PARTICULAR ORDER)

1. Flexibility. Consolidation of programs may be beneficial in several ways. (a) Grants are often distributed to all states, even though the programs are not equally high priorities in various states. Consolidation allows states to shift funds among programs in accordance with local priorities. (b) There is less paperwork for both the federal government and state governments. (c) If there are fewer restrictions on how services are provided, this may increase efficiency and innovation.

The flexibility benefits are greater if many programs are consolidated rather than if only a single program is in the block grant (e.g., Medicaid) or if the program was formerly federally administered (e.g., Food Stamps). Also, many of the benefits of removing restrictions and reducing paperwork can be obtained without converting to a block grant framework.

The 1981 block grants did substantially reduce paperwork in the states. While there is little documentation of the magnitude of how much money was saved, all 19 states analyzed by the Urban Institute "characterized it as small relative to initial federal funding reductions." This contradicted suggestions by top officials of the Reagan administration that efficiencies might have been as large as 25%. David Stockman, for example, suggested that despite aid cutbacks "... services delivered need not be diminished because massive reductions in Federal administrative requirements also are being made."

2. Effect on the federal budget. Block grants reduce federal spending immediately and over time. They reduce it immediately if they are smaller than the predecessor programs (as most of the current proposals call for). They reduce it over time because they cap future growth. Block grants also allow savings in federal bureaucratic costs, although this is a small issue for programs with big budgets.

3. Effect on recipient spending. As discussed above, block grants stimulate state spending less than open-ended matching grants.

4. Effect on state budgets. States will receive less aid, in a mirror image of the effect on the federal budget (point 2). This is somewhat offset by increased flexibility (point 1). If the reduction in federal spending is large, it is certain to be much more significant than the gains from enhanced flexibility.

If federal aid is sharply reduced, there will be important repercussions on nearly all major parts of state budgets. Even programs like elementary-secondary education, which receive relatively little federal aid, will be adversely affected by cutbacks affecting health and social services because all programs will have to compete for a smaller pool of resources.

One of the principal motivations for adopting block grants is to make large federal spending reductions more palatable. Such reductions will help to reduce the federal deficit, but they may add considerably to fiscal

stress at the state and local levels.

The initial effects on state budgets will grow substantially over time, particularly when a recession occurs. During a recession, the number of people needing programs like Medicaid and welfare benefits increases sharply. Under many current programs, this automatically results in a large increase in federal aid because aid is open-ended (or, in the case of food stamps, because the federal government pays for all benefits). If these programs are converted into block grants, states will be responsible for dealing with the increased caseloads themselves. States could use up all of the federal grant before the end of the fiscal year, requiring them either to provide supplemental funding from their own revenue or else to curtail the program.

5. Effect on meeting social needs. There will be fewer dollars, although in some cases they may be used more effectively. Once again, the seriousness of the shortfall in meeting needs depends on the magnitude of the federal spending reduction. If it is large, it will swamp administrative savings.

Will states use their own resources to offset federal cutbacks? There are two issues. First, states have less incentive to spend if a matching grant is converted to a block grant. Second, states are unlikely to raise their own taxes much to offset federal cutbacks. Moreover, revenue from the existing tax structure of most states will not grow enough to enable states to make up for large federal aid reductions.

6. Redistribution of federal funds. If block grants are created, they may be distributed among states differently from existing programs. Federal aid now often depends in part on how much states spend of their own resources. States that have historically exerted relatively high effort to provide services could lose significantly more than other states.

CONCLUSION

The changes in federal policy being proposed now in Washington are far more sweeping than those adopted in 1981. Federal budget cutting then petered out after one year. What is occurring now is much more significant, not only because of the magnitude of the cuts being proposed but also because programs like Medicaid and AFDC are much more important to state governments and citizens. Also, in the mid-1980s the country enjoyed strong economic growth, enabling states to expand their programs without having to increase taxes.

Increased flexibility is only one of the important effects of block grants. Some proponents dwell solely on it, overlooking other effects, such as whether the block grant will help or hinder government's ability to provide needed services.

Several important questions ought to be considered in determining whether block grants accompanied by large federal spending reductions are appropriate:

1. Are the existing programs working well (i.e., do they satisfy the

need they were intended to address)? If they do, the case for devolving responsibility to the states is weaker. The food program for Women, Infants and Children (WIC) is a good example of a federal program that is very effective in preventing the occurrence of low birth weight babies and other health problems, although it is slated to be folded into a block grant.

2. Is primary responsibility for the programs appropriately assigned to the federal government or to states? The federal government is better suited to providing the bulk of financing for programs where spending tends to soar during recessions. In addition, a strong argument can be made that the federal government should play a prominent role in funding poverty-related programs for three reasons: poor states have less fiscal capacity, uniformity of benefits reduces the incentive to migrate from low- to high-benefit states, and the entire society is concerned about alleviating poverty.

3. To what extent can increased flexibility be achieved simply by reducing federal program requirements, without adopting a block grant? In many cases, creation of a block grant form is unnecessary to enhance flexibility.

The most important issue facing Congress this year is not whether to rely more on block grants. Rather, it is how the country should provide the services that citizens expect government to deliver while reducing the federal budget deficit. If the federal government sharply reduces spending, the block grant approach may make the spending cuts somewhat less damaging. But the benefits of block grants will not necessarily make the reductions a wise policy if needed services are reduced.

GUIDING PRINCIPLES FOR NATIONAL EMPLOYMENT AND TRAINING REFORM

by

Andrew Sum and Paul Harrington

Introduction

Debates over the appropriate mission, structure, and content of national employment and training programs have been quite spirited over the past few decades. At the current time, the U.S. Congress is considering a number of bills that would radically overhaul the existing array of employment and training programs, consolidate funding into a limited number of block grants, and revamp the current governance structure. Given the significance of these national policy debates, it would seem highly desirable to develop a set of guiding principles for future employment and training policy reform and then compare the key features of proposed bills against these guiding principles.

Two leading legislative contenders for reforming the nation's employment and training system are the Workforce Development Act of 1995 sponsored by Senator Nancy Kassebaum of Kansas and the CAREERS Act of 1995 co-sponsored by Representatives William Goodling (R-PA), Steve Gunderson (R-WI), Randy Cunningham (R-CA) and Howard McKeon (R-CA). This latter bill will be referred to as the Goodling or the McKeon-Goodling bill throughout this paper. This paper will present a series of views on key guiding principles for the mission statements of employment and training legislation, their goals and objectives, funding mechanisms, participant targetting provisions, governance structures, program and agency coordination, allocation formulas, and performance measures and standards. For each set of principles, the key proposed elements of existing reform legislation will be described and assessed. Recommendations for revising the content of existing bills to enable them to better meet these underlying principles will be provided.

The Mission of the Nation's Employment and Training System

Proposed legislation to reform the nation's existing employment and training system initially should be assessed on the extent to which it defines a clear mission for the future employment and training system, provides for programs and activities that will plausibly assist in the achievement of the established goals for the

system, and targets monies to areas and to population subgroups in a manner that will increase opportunities for achieving the predetermined mission of the employment and training system. The mission statement also should be based on a realistic appraisal of existing labor market problems in the nation and a clear identification of which problems will be assigned a priority in the proposed legislation.

While one may express dissatisfaction with some of the accomplishments of past MDTA, CETA, JTPA and JOBS programs, there was at least a reasonably clear mission statement that defined the goals of the above legislation, the target groups to be served, and the general performance standards (increases in employment and earnings of program participants) for assessing program accomplishments. Both of the main contenders (the Workforce Development Act of 1995 and the CAREERS Act of 1995) to replace the existing set of employment and training programs appear to fall somewhat short of these guiding principles regarding a well defined mission statement that can lend itself to rigorous evaluation.

First, the Kassebaum Workforce Development bill begins by stating its primary objective as that of "consolidating" existing programs and creating a new "process" for funding such programs. The mission of the legislation as outlined in Section 2 Purposes cites two basic economic goals: that of making the U.S. more competitive in the world economy by investing in its people and promoting "the economic development of states." Neither of these objectives are likely to be achieved by the proposed set of programs, and there simply are no available evaluation models that could assess the impacts of job training/literacy/labor exchange programs on international competition or the rate of growth of a state's economy.

The international competitiveness of the U.S. economy in the future will be heavily influenced by world economic growth, the exchange rate of the dollar, U.S. trade agreements with key trading partners, the tastes of American consumers, the investment decisions of domestic producers, and product quality in the U.S. The rate of growth of labor productivity in the U.S. also will matter; however, the employment and training programs envisaged under the Workforce Development Act likely will have no significant impact on labor productivity in key export oriented industries or in domestic industries competing with foreign importers. The

overwhelming majority of participants in these programs will not find employment in export-oriented industries and those that do will comprise such a small share of employment that their potential impacts on the industries' productivity levels will be so negligible that a zero overall impact on the competitiveness of the nation should be expected.

Similar, though less critical, comments apply to the state economic development goals. We strongly concur with the view that a well educated, literate, and productive labor force can play a role in promoting state economic development. Many high productivity industries do depend on a well educated and literate labor force. Yet, the numbers of individuals who will be educated and trained under the proposed employment and training systems are likely to be too small to significantly affect a state's gross output or employment growth rate. The technical ability to reliably measure the impact of micro-level employment and training programs on a state's macroeconomic performance is simply not present. The available literature on state economic development promotion programs reveals just how little we know about the effects of a wide array of past development initiatives at the state and local level, including loans, tax incentives, public infrastructure investments, and research and development grants and tax credits.

The entire "Section 2" of the Workforce Development Act should be revised to provide a listing of goals that the programs realistically might be able to achieve and the reasons why these goals deserve a priority in the current economic environment. Ideally these goals should be closely tied to an analysis of what our current and likely future labor market problems will be and which of these problems should be combatted with available employment and training resources. If we want to measure what we accomplish, the goals statement might be better focused on what we expect to accomplish for individual participants in these programs rather than what we want to achieve for the economic competitiveness of the nation or for individual states.

We can realistically hope to measure program outcomes and impacts for individuals, but not for state or national economies. We would propose the following as a statement of goals for the proposed initiatives under both the Kassebaum and Goodling bills:

Youth Workforce Development. Programs funded under this act are designed to strengthen the ability of non-college bound youth (those not going on to four year colleges and universities) to

successfully make a transition to the labor market in the early years following high school graduation. Successful transitions include access to full-time jobs, jobs providing formal training opportunities including apprenticeship or community college training programs, and access to higher skilled and higher wage positions. For out of school youth, the programs are designed to bolster the literacy proficiencies of participants, their high school graduation rates and GED attainment rates, and improve their employment and annual earnings. Participants will be less dependent on public assistance and other cash transfers to support themselves.

Adult Training. Programs funded under this section are designed to improve the post-program employability, wages, and annual earnings of participants and reduce their dependence on cash income transfers and other forms of in-kind assistance.

Dislocated Workers/One Stop Centers. Programs funded under this section will assist dislocated workers in obtaining re-employment, reduce the length of time spent jobless, and reduce the earnings losses associated with displacement from their prior jobs.

Labor Exchange Functions/One Stop Centers for the Non-Dislocated. Programs funded under this section will assist applicants in making more informed career choices, improve their job finding rates, and increase their access to training and jobs in accord with their current skills so as to boost future earnings and employability.

The existing mission statements of both bills are far too grandiose and not amenable to serious evaluation. Employment and training programs should aim to improve the labor market and earnings prospects of individual participants not achieve macroeconomic goals. Common sense, basic sound economic analysis, and a desire for economic justice should be the basis for national employment and training policy. As Father Edward S. Boyle of the Boston Labor Guild recently noted in the Regional Review of the Boston Federal Reserve Bank, "Wedding moral and economic thinking is complex and subtle, but also essential. We are free and responsible moral agents, not tied inextricably to objective economic laws."

Key National Labor Market and Earnings Problems

In the preceding section, we argued that employment and training legislation should be based on a careful assessment of existing and projected labor market and earnings problems in the nation and contain a mission statement that delineates the goals and objectives of the programs in terms of expected outcomes for participants and their families. Macro level impacts (increased competitiveness, higher economic growth) either cannot be rigorously and reliably quantified or simply will be imperceptible, i.e.,. an expected impact close to zero. Having said this, what are the major national labor market and earnings problems in the U.S. today and likely to remain so over the remainder of this decade?

We would list the following four to five problems as truly national in scope and likely to remain as serious economic and social problems in the absence of a concerted national/state/local response to these human resource problems.

· The steep decline in the real weekly and annual earnings of young adults with no post secondary schooling, i.e., the nation's so-called "Forgotten Half"

·The sustained increase in wage and earnings inequality among employed men and somewhat less among women. These growing earnings gaps are associated with schooling, literacy, and occupational differences among men and women. Human capital clearly matters more today than in earlier decades.

· The high levels of public assistance dependency, including Supplemental Security Income for the Disabled as well as AFDC. The SSI disability program has experienced explosive growth in the past 5 years and now has more cases than the AFDC system. Its growth is out of control, and most of the new recipients are the underemployed and the underclass. A serious financial crisis is brewing here that will make AFDC seem to be a minor problem in the years ahead. In fact, some states are trying to shift AFDC recipients and their children onto the SSI caseloads to reduce state budgetary costs.

· Continued high levels of worker dislocation, with accompanying joblessness, labor force withdrawals, and steep earnings losses for many prime aged and older workers without a college education.

·The continued declines in the labor force participation rates of men 45-62, especially males with no post-secondary schooling. This problem is partly related to the dislocated worker problems

above which have encouraged early retirements and forced labor force withdrawals among older men with few re-employment prospects.

A few remarks on each of the above problems and their implications for the reform of the nation's employment and training system are presented below together with a brief discussion of the need for the design of new strategies to combat these problems.

First, the labor market problems of the youngest members (under 25 years old) of the Forgotten Half have remained quite severe through 1994. While the employment rates of young adults remain cyclically sensitive and do improve during periods of strong economic growth, the real weekly earnings of full-time employed men and women (under 25) have continued to decline and remain well below their levels in 1973. Among employed men with no post-secondary schooling, the steep declines in real weekly earnings have been accompanied by comparable, if not more severe, declines in their real annual earnings since year-round, full-time jobs became somewhat scarcer. These earnings problems are quite substantial among Whites as well as Blacks and Hispanics. Among young women, more weeks and hours of employment during the year have offset part of the declines in their real weekly earnings.

There is a clear need for a substantive Youth Work Force Development Program in all states, with an emphasis on serving those youth who are not expected to attend four year colleges and universities. A youth program should not be income-conditioned; however, it should not be a universal program either. Funds provided to states should be used overwhelmingly for the Forgotten Half, not for the college bound. Substate allocations should reflect this priority. School districts with above average dropout problems and below average college attendance among graduates should be targetted for services under this program. In an era of diminished resources, college bound youth are far less in need of school-to-work services, and there is no evidence that their work experiences in high school have any impact on their earnings as young adults. Just the opposite is true for those high school graduates who do not go on to complete at least one year of college. Chris Ruhm (University of North Carolina - Greensboro) recently has found that high school employment experiences for the non-college bound have significant earnings impacts seven to nine years following high school graduation.

A separate employment and training system for out-of-school

youth, however, presents important coordination problems.. Past experiences of programs for out-of-school youth under JTPA, Jobstart, Project New Chance, and the GAIN programs in California (adults and youth) have shown that providing educational and literacy training services not closely tied to job training and job placement have little to no employment or earnings impacts on participants. National studies of the effects of the GED credential on the earnings of young men also show little to no earnings effects. Findings for women are slightly more positive.

Out-of-school youth need access to training and jobs as well as increased educational credentials. How can we build such an integrated system under the youth Workforce Development programs? Should the legislation call for integrated and comprehensive services for out-of-school youth or simply just allow them to be funded under the act? More integrated services for out-of-school youth will require longer program stays and higher costs per participant. How can we encourage governors to fund such programs while simultaneously requiring them to provide evidence that they do yield more favorable employment and earnings outcomes? As we tried to show in our recent monograph From Dreams to Dust, a restoration of the lifetime earnings streams that male high school dropouts and graduates would have been expected to receive in the early 1970s will require investment outlays of $80,000 to $100,00 per participant, assuming that a 10% rate of return could be achieved on such investments. Our estimates are very close to those earlier cited by James Heckman of the University of Chicago. We do not anticipate anything like such levels of investment in out-of-school youth, and past program evaluations have revealed the difficulties of achieving favorable earnings impacts for disadvantaged youth. Yet policymakers must recognize that overcoming the steep earnings declines of these adults will require intensive investments in their training and education over their worklives.

The growing problems of wage and earnings inequality among men in the United States (somewhat less severe among women) should be a national priority for the workforce development system. Solutions to this problem will likely be considerably more complex since the wage structure is governed by a multiplicity of forces going beyond the human capital deficits of low wage earners. The key challenge is reforming the wage structure of the nation's expanding retail trade and service industries so that workers with

limited schooling can ultimately earn higher wages. The overwhelming majority of the nation's low wage workers are employed in these industries. Can employment and training simultaneously boost the human capital characteristics of workers in these sectors and restructure work so that future employees are more productive and "can earn" the higher wages and benefits we wish for them. This employment and training strategy goes beyond changing the characteristics of workers (the dominant employment and training strategy employed in the past) to changing the characteristics of jobs so that more jobs can become "good jobs". Can we create more "good jobs" without having these job then go to the best educated workers in the nation. Jobs in a number of the nation's retail trade, health, banking, and insurance industries have been restructured but then were allocated to college educated workers. From an employment and training reform standpoint, this strategy will require giving Governors and local workforce development boards the ability to fund occupational upgrading and job restructuring efforts within private sector firms, program activities that were basically prohibited since the CETA days of the late 1970s. We clearly need greater experimentation with such job restructuring efforts. The 50 percent flex fund under the Kassebaum bill would allow such activities but boldness by state and local officials in experimenting with such efforts will be essential.

· The proposed Workforce Development Act would eliminate the existing JOBS programs for AFDC recipients and consolidate funding of these programs into the block grant. While states would be required to identify planned levels of service to five target groups including AFDC recipients, there is no specific requirement that they be served under the adult training/one stop programs . Pending welfare reform legislation will clearly impact the need for states to provide employment and training services to welfare recipients to reduce caseloads in the future, given the fiscal limits that will be placed on a state's future funding from the federal government. The elimination of AFDC as an entitlement program at the federal level will place a number of states in a serious fiscal bind particularly in times of economic recession when the applications for assistance will rise as federal funds are fixed. AFDC caseloads in many states can be expected to rise in the near future as greater numbers of teens and young adults will be present in their populations of most states and out-of-wedlock childbearing rates will remain quite high.

Ten years of state experimentation with alternative strategies for AFDC recipients reveal how difficult it is to raise the employability and earnings of these individuals to any considerable degree with limited interventions. In fact, gains in the earnings of participants are often offset dollar for dollar by reductions in AFDC benefits and food stamps. We do not expect future employment and training programs to fare much better in this regard. We could use more experimentation with longer-term, employer-oriented (OJT) investments in AFDC recipients, but there appears to be little willingness on the part of most states to do so. Even the current Canadian experiments with substantial wage subsidies for public assistance recipients seem to indicate that only moderate though far from negligible welfare reductions can be expected to occur with relatively large employee wage subsidies.

A serious and rapidly growing public assistance problem ignored by past employment and training programs and all of the current reform legislation is that involving the nation's SSI disability program. Over the past 6 years, the number of persons receiving federally administered payments under the SSI disability program has grown from 2.9 million in December 1988 to 4.8 million in February 1995, a rise of 1.9 million or 65% over this time period. While the number of children on SSI disability has been growing rapidly in response to a 1990 Supreme Court ruling allowing their easier eligibility for payments under this program, they still account for only one-fifth of the number of SSI recipients. The typical SSI recipient is in his/her 30's or early 40's, and young males have been accounting for a rising share of the caseload. Since SSI is almost all federally financed (some states supplement the basic SSI grant), there has been an incentive to shift general relief and AFDC cases onto the federal SSI disability program. This "hidden welfare crisis" cannot long be ignored since the costs are growing exponentially and recently have been projected by the Clinton administration to substantially exceed federal AFDC payments over the remainder of this decade. All SSI recipients are automatically eligible for food stamps and Medicaid and incur extraordinarily large Medicaid costs ($7,000 per year). What role is there for employment and training programs to provide a labor market solution to this growing crisis in SSI? All existing reform bills are silent on this issue but should not remain so. Identifying SSI recipients as a target group for services would seem a desirable first step, particularly given the earlier legislative initiatives on behalf of the disabled.

Worker Dislocation Problems and Programs

The labor market problems associated with worker dislocation have remained substantial over the past 15 years and have had particularly adverse consequences for the older dislocated, i.e., those 50 and older. During the first few years of the 1990s, the BLS dislocated worker surveys revealed that nearly 3 million workers per year lost their jobs as a result of a plant shutdown, relocation, major reduction in force, or a corporate downsizing. Approximately one-third of these workers remained without a job at the time of the February 1994 dislocated worker survey, and many of the re-employed, particularly those with no post-secondary schooling, suffered large earnings losses (20% or more decline in real weekly earnings). The re-employment problems of older dislocated workers (50+) remain particularly severe, with nearly half of them either unemployed or withdrawn from the labor force at the time of the survey. The trend toward earlier and earlier retirements, both voluntary and economic-related, among males is a development that the nation can ill afford particularly as the original baby boomers begin to enter their 50's in large numbers beginning in 1996.

Under both bills, states would be mandated to provide dislocated worker services as part of the one stop centers. However, the relative priority of such services would be determined by the governors or local workforce investment boards. In our view, dislocated workers should be viewed as a priority group for services by the one stop centers; however, a major challenge will be that of determining an optimal mix of services for dislocated workers. Past impact evaluations of job search training and job development services (Minnesota, New Jersey, Texas) have found them to yield moderate benefits to participants that seem to outweigh all costs; however, the evidence on the effects of occupational training efforts is far less favorable. The Texas and New Jersey evaluations revealed no significant earnings impacts from classroom training. Past studies of training under the Trade Adjustment Act also revealed very little positive findings. How can we encourage Governors to invest training dollars more fully in dislocated workers yet make sure that future programs are carefully evaluated? We simply do not yet know how to run proven cost effective training interventions for dislocated workers. Further experimentation with both longer-term classroom training and on-the-job training for dislocated workers is clearly warranted since the

problems of dislocation will not likely be substantially reduced over the next decade and maintaining displaced workers' real earnings should be given a priority.

While funding for most adult training/placement programs/one stop centers should be based on a funding formula that will lend stability to the workforce development system, funding for dislocated worker programs should be based in part on the level and relative size of worker dislocation in a state and a local area. There are two complementary funding approaches that could meet these needs without creating a destabilizing funding formula, such as one based on excess unemployment or long-term unemployment. The legislation then could create a national set aside pool of monies for the Secretary of Labor to distribute to states based on actual plant shutdown/mass layoff experiences during a year. Only certain states would receive these monies on a yearly basis, based on documented layoff experiences. Governors, in turn, could be asked to provide their own set aside monies for dislocated worker programs for communities adversely affected by plant closings and mass layoffs. Both the national and state governments would, thus, be seen as responsive to the unique employment and training needs of communities adversely affected by economic shocks in the future.

Funding Mechanisms and Participant Targeting Provisions

The funding levels and mechanisms included in most legislation represent a concrete statement of the actual goals and priorities of the legislative bodies. Unlike the preambles or statements of purpose that are generally included in a legislative bill, the priorities established in the funding sections of legislation are backed by real financial resources. Thus, in a very direct way, the funding mechanism really sorts out the goals and objectives of the legislation by reflecting the relative priority of each activity to be funded. In the employment and training arena, the funding mechanisms employed in a bill would ideally reflect the goals and objectives of the legislation itself. In previous employment and training legislation, funding priorities and processes have largely focused upon serving specific elements of the population who have experienced an above average incidence of labor market or income inadequacy problems. Prior employment and training funding mechanisms have, thus, allocated resources to specific program areas that were intended to serve individuals that experienced a particular type of labor market problem. For example, separate

categorical programs were designed to provide specific types of services to target populations, such as dislocated workers, unemployed out-of-school youth, and the poor and economically disadvantaged. Moreover, the legislation generally included some type of means testing to insure that the priority of service to low income populations was a key element of the program.

The two major employment and training proposals before the Congress today represent extraordinary departures from the past federal funding priorities for employment and training legislation. In particular, the 1995 Workforce Development Act offered by Senator Nancy Kassebaum stands in sharp contrast to prior national employment and training legislation in terms of both funding priorities and funding mechanisms. The Kassebaum bill, in large measure, eliminates the federal role in determining funding priorities by utilizing a funding mechanism that basically calls for few categorical activities under the legislation. The Kassebaum bill requires only that 25 percent of the funds received by a state be assigned to education efforts provided through state and local education agencies and that 25 percent of the funds be spent on employment and training services including labor exchange functions as well as occupational and employment related training and support service activities. The bill does require that this set of services be delivered through a one-stop process. The remaining 50 percent of the funds are to be allocated to a "flexible account" that the governor is allowed to spend at his or her discretion, either on education or employment and training programs, for any desired group of state residents. It would not be unfair to state that the passage of this bill in its current form would essentially discard the notion of a national employment and training system. While the existing set of programs may not resemble a true national system, the dediacated set-asides for target groups do provide some guidance as to "who" should benefit from available resources.

The McKeon-Goodling legislation, like the Kassebaum bill, eliminates the array of categorical priorities developed through employment and training legislation over the past 30 years. However,. this bill establishes four individual block grants, including youth, adult, vocational rehabilitation, and literacy. Like the Kassebaum bill, no means test for eligibility exists; thus, the program is designed to provide essentially universal access but no entitlement to services. The youth block grant requires that 40 percent of the funds be spent on in-school youth programs operated

by local education agencies and another 40 percent of these funds be used to serve out-of-school youth through local Workforce Development Boards. The remaining 20 percent of youth funds are to be retained by the state for incentive grant competition and other activities. Allocation of youth funds across the states will use a formula based on the state's youth shares of the total youth population and the educational attainment of the youth population.

The adult block grant would employ a universal access system and, like Kassebaum's bill, utilize a one-stop system to provide labor exchange as well as training and related services. Funds for this block grant would be distributed among states using a formula that uses weighted shares of the unemployed and poor populations. The literacy block grant would allocate funds across states based on the relative size of the state's population and the state's share of adults without a high school diploma. While dropouts do fare most poorly on national literacy tests, many high school graduates also are characterized by substantial skills deficits and are in need of remediation to improve their future employability.

Both the Kassebaum and the McKeon-Goodling bills represent a radical change in the role of the federal government in establishing funding priorities for federally supported human resource development programs. Essentially, both bills will substantially reduce the role of the federal government in establishing human resource program priorities and make the federal government a passive check writer, with some authority to approve state plans. Yet, problems such as unemployment, poverty, welfare dependency, and worker dislocation are problems that are frequently national in scope and, therefore, deserving of national attention. Both pieces of legislation, as currently constructed, could fail to guarantee that significant segments of American adults experiencing labor market hardship receive services under the act. In fact, quite to the contrary, Governors will largely determine how these resources are to be spent and who will receive services under these programs. Thus, both of these bills represent the abandonment of a "national" human resource development policy. Allowing Governors substantially increased flexibility in the design of future workforce development programs can be achieved without denying the Congress and the executive branch a role in the establishment of national priorities for services and the development of uniform performance measures for program outcomes in each state.

Governance

Governance issues have played a key role in most previous debates on employment and training policy; however, there is little evidence on whether different governing structures lead to better performance. The Kassebaum bill proposes once again a radical restructuring of current governance arrangements at the federal, state, and local level. This bill would create a new Workforce Development Partnership that would assume some of the current employment and training responsibilities from the Assistant Secretaries of Labor and Education. This partnership, modeled in part after the recently established School-to-Work Office, an innovative but untested system, would include private sector representatives as well as representatives from the U.S. Departments of Labor and Education. The partnership would be responsible for most of the policy, oversight, and technical assistance functions now undertaken by the U.S. Department of Labor's Employment and Training Administration and the U.S. Department of Education's Offices of Vocational Adult Education and the Rehabilitation Services Administration in the Department of Education). At the federal level, no single Cabinet department would have sole responsibility for the program. Rather, a Policy Board with a "functionally integrated staff team" would assume the remaining federal responsibilities for the program, including three year planning oversight and labor market information systems development. The ability of such a board to handle complex technical issues, such as the nation's LMI system, which is currently largely under BLS supervision, remains highly suspect.

At the state level, the Kassebaum bill gives wide latitude to the governors. They only would be required to establish a board composed of relevant state cabinet members and local elected officials if they wished to use the monies in the flex account for economic development. This board would then review and approve the three year plan developed by the governor. The governor, also at his discretion, may choose to organize a statewide Workforce Development Board which would be composed of largely the same membership as current Private Industry Councils, except that no requirement would exist for labor representation. The role of organized labor on the state board is undefined (silently ignored) under all existing bills. Such boards could also be established at the local level where they would be granted an important policymaking role. We believe that local workforce development

boards should be a critical component of all future reform efforts. The governor of the state is given extraordinarily wide latitude in determining the distribution and use of federal human resource development monies. Clearly this decision is not based on any past evidence suggesting that governors are in a superior position to improve past performance. The record under JOBS and JTPA suggests the opposite. State governance will have to improve considerably to produce more favorable outcomes for program participants.

The McKeon-Goodling bill would require governors to designate substate Workforce Development areas governed by a Workforce Development Board. Local elected officials with the guidance of the governor would be authorized to make appointments to these boards. The substate boards would be required to identify local needs, develop a workforce plan, establish and oversee a one-stop career center system, oversee adult training, provide services to out-of-school youth and vocational rehabilitation services, as well as serve as an advisory board to local education agencies regarding workforce preparation for youth.

The governance structure offered under both bills reduce, the federal role in program policy, oversight, and priority determination. The Kassebaum bill would give governors virtually complete control over program governance. The McKeon-Goodling bill, too, would give governors substantial control over state programs, but it also provides a substantial role for local Workforce Development Boards. In neither instance will federal officials play an important role. Yet, in the absence of a substantive federal role in governance, it is hard to envision how a coherent federal manpower policy will exist. In our view, a governance structure that closely links national policy with both state and local program implementation is essential. We believe that a strong policy and oversight role should exist for the federal government closely linked through funding and performance review to local program operations. Proposals to require the Departments of Labor and Education to coordinate their efforts more systematically than in the past are clearly desirable. Such a governance structure would help insure that state and local workforce development boards will engage in a set of activities and generate outcomes for participants that are in close accord with our national human resource program priorities.

Program and Agency Coordination Under the Proposed Reform Legislation

As efforts to consolidate the diverse array of existing employment and training programs continue and as new workforce development systems are planned, there are a number of important interagency and interprogram coordination issues that will have to be addressed. First, where does the existing unemployment insurance system fit into this block grant scheme? How will job search requirements (rapidly diminishing due to automated mailing of claims checks) for the insured unemployed be handled by the one stop centers, particularly if they are not operated by existing Job Service personnel? How will the current system of "profiling" unemployment insurance claimants by the Job Service fit into this system? As individual claimants are identified as being "at risk" for long-term unemployment, how will they be referred to the one stop centers for program services? Some system for actively monitoring the job search behavior of the insured unemployed needs to be maintained, and a process for identifying and referring potential long-term UI claimants for employment and training services needs to be established.

Where will the current AFDC system (or future welfare system) fit into workforce development once the JOBS program is eliminated? Will there be mandatory job referrals to the one stop centers and mandated participation in education/training activities or will states be allowed to reduce if not curtail access of AFDC recipients to the workforce development system? Will states be allowed to set up their own separate workforce development systems for future AFDC recipients <u>or</u> will they be mandated to integrate such programs within the new workforce development system? This is not a trivial issue since there are still nearly 5 million AFDC cases in the nation, and the numbers are up by one million since we passed the legislation creating the JOBS program in 1988. The AFDC rolls, regardless of who administers the new system, will be under severe demographic pressures in the next five to ten years as the number of young, childbearing women continues to rise and out-of-wedlock childbearing rates increase. Will "AFDC family heads" be assigned a priority for services under a state's workforce development system or will state and local workforce development boards be allowed complete freedom to choose whether to provide any level of services to future AFDC recipients? As noted in our preceding section on labor market and income

problems in the U.S., the explosive growth of the SSI disability caseloads must also be addressed by the states. To date, there has been no concerted set of activities to provide employment and training services for those adults receiving financial benefits under the SSI disability program. There is a substantial pool of "hidden unemployed" and growing numbers of a "new urban underclass" in the ranks of the SSI disability caseload. This "silent welfare crisis" will soon become a major public policy issue at the state level, particularly if welfare block grants are enacted with no entitlement provisions.

The issue of a separate title for adult literacy and education programs also needs to be addressed. The Workforce Development Act would provide 25 percent of the monies to the state education agencies for a variety of education initiatives for high school students and dropouts. The Goodling/McKeon bill would provide a separate block grant to the states for such programs. The separation of adult literacy and/or youth education programs from the rest of the workforce development system would likely be a major policy mistake. The record of past education and literacy training programs, including adult basic education, GED preparation, Jobstart, GAIN programs in California, JOBS programs, and youth alternative schools, is that such programs can achieve important gains in literacy, academic achievement, GED attainment, and high school diplomas without improving the labor market prospects of participants at least in the near term (12 to 48 months following program termination). All youth in-school, youth out -of -school and adult literacy and education programs should be incorporated into the overall workforce development system at the state and local level. All applicants for program services other than immediate job placement or job search training should be carefully assessed at time of application, including a systematic appraisal of their existing literacy proficiencies, using a version of the NALS adult literacy assessment or its equivalent. Referrals to literacy/education programs would occur only after this assessment has been completed. Literacy/adult basic education/GED preparation programs should be seen as part of a structured system of opportunities, a la Robert Taggart's pyramid of opportunities structure. Participants have "to learn" their way to the upper layers of the pyramid structure; including access to longer-term occupational and on-the-job training program services.

Allocation Formulas for the Proposed Block Grants

Any bill designed to consolidate existing employment and training programs will have to contain provisions specifying how the appropriated monies will be allocated to states and possibly to local governing boards. The existing employment and training programs that are to be consolidated currently use a diverse array of allocation formulas to distribute monies to states and local areas.

Both the Workforce Development Act of 1995 and the CAREERS Act of 1995 currently contain provisions related to the formulas that would be used to allocate monies to the states. The Workforce Development Act would use a combination of population, AFDC case load, poverty population and unemployment to allocate monies to the states. For the adult training programs under the CAREERS Act, the Goodling bill suggests the use of an allocation formula based on unemployment criteria (2/3) and economically disadvantaged criteria (1/3). For the youth workforce development programs, an allocation formula based on the number of school-aged residents in the state (15-24) and possibly additional criteria reflecting the number of economically disadvantaged and unemployed in the state are cited in the bill. Somewhat different allocation formulas would be used for the four different consolidation grants.

There should be a guiding set of principles for the selection of an appropriate allocation formula or set of formulas for these block grants. We believe that the following pronciples should be strictly adhered to:

(a) The elements of the proposed allocation formula should be closely related to the fundamental goals of the legislation. For example, if the program is not meant to be an anti-poverty program, then economically disadvantaged criteria should <u>not</u> be part of the formula. If on the other hand, part of the program is intended to combat poverty problems, then funding on the basis of the economically disadvantaged populations is appropriate since it will allow funds to move to areas of greatest need.

(b) The data needed to implement the allocation formula should be timely and statistically reliable at the state level. Few past allocation formulas for employment and training programs have met this criteria. The statistical reliability of local area unemployment data has not been good. Uniformly defined, state level measures of the civilian labor force are available annually from the Current Population Survey, and these measures possess a high degree of

statistical reliability.

(c) The funding formula should be supportive of stability in the system. Use of criteria that are highly cyclical indicators, such as state unemployment shares or shares of excess unemployment, should be discouraged since they create too much variability in state funding levels. Such elements are desirable only if the workforce development program is intended to be a countercyclical program.

Given these guiding principles, the proposed allocation formulas of both bills have a number of serious shortcomings. First, the use of unemployment data is highly destabilizing for an adult workforce development system. This section of the Goodling bill is not a countercyclical program; thus, unemployment criteria do not belong in the allocation formula. A state with a low unemployment rate may need and deserve more training dollars to meet existing occupational shortages. States with high levels of unemployment often face more of a cyclical (demand shock) unemployment problem that cannot be ameliorated with job training or placement programs. Second, if the programs ares not intended as an anti-poverty program, then why fund states on the basis of their share of the nation's poverty or disadvantaged population? Allocation formulas must be consistent with the goals of the legislation. A bill funding job training and one-stop centers should be funded on the basis of a state's share of the national civilian labor force. Such a formula would be supportive of the goals of both bills, such civilian labor force data are available on a timely and statistically reliable basis, and such a formula would provide stability in fuuture funding flows.

The proposed allocation formula for the youth development programs under the Goodling bill also has several shortcomings. Use of a youth population variable is appropriate if the system is intended to be open to all youth regardless of their employment status, educational status, or family income. Since high school students and young out of school adults are the key target groups, we would recommend the following two element funding formula for youth workforce development programs:

·X% of the monies be allocated on the basis of the state's share of the national high school population (grades 10-12). School enrollment data are available for each state and are fairly reliable since they are based on administrative counts of the student population, typically at the beginning of the school year

·Y% of the monies be allocated on the basis of the state's share

of out-of-school youth ages 16-21 with no post-secondary schooling at the time of the 1990 Census. There is no annual comprehensive data base on the size of this population group at the state level for the intercensal years. The state CPS estimates are too small to be statistically reliable for funding purposes; thus, the 1990 Census data from the PUMS files (5% state sample) should be used to generate the desired estimates of this youth population subgroup.

Allocation Formulas and Substate Allocations

A key element of any federally-funded human resource legislation is the manner in which funds will be allocated at the substate level. Nearly as important as the national funding mechanism, these substate allocation formulas are used to determine which local areas will receive funding and the amounts of funding to be received. Problems of unemployment, poverty, welfare dependency, long-term unemployment, and worker dislocation often vary substantially across counties, cities, and towns within any particular state. The allocation formula that will be used to distribute resources across substate areas is therefore a second important statement about the actual operating priorities of a particular employment and training program.

The 1995 Workforce Development bill would require governors to allocate funds across substate jurisdictions on the same basis as that used to allocate monies to states. The McKeon-Goodling legislation proposes that governors develop a substate allocation formula of some type; however, the nature of this allocation formula is left to the discretion of the governor, using general guidelines set down in the bill. Clearly, the substate resource allocation mechanism will play a central role in determining which areas of the states and which groups of individuals will be served under the new job training legislation as well as the types of services those individuals will receive. If the authorizing legislation fails to include an explicit allocation formula and process, the link between national human resource policy and priorities and the local implementation of such policies and priorities will be broken. A strong and explicit relationship should exist between national program goals and local program funding and operations. One way to ensure this relationship is a substate resource allocation formula that explicitly links the two by reflecting national priorities in the local resource allocation formulas and funding processes.

While a state allocation formula for general workforce

development activities should be based on the size of its civilian labor force relative to that of the nation, a substate allocation formula should be allowed to include local distress factors such as unemployment or the size of the working poor or economically disadvantaged population. Since the nature and intensity of labor market problems will vary somewhat from state to state and since different priorities will be assigned to these problems, the Governors should have some discretion in the allocation formulas they choose to disburse monies to local areas. The formula should, however, be based on data elements that are uniform across the state and characterized by a reasonable degree of statistical reliability. Annual data on the estimated number of poor or economically disadvantaged adults at the substate level is typically too small to be statistically reliable. Again, all poverty/income indicators in substate allocation formulas should be based on the 1990 Census.

Governors also should be allowed some discretion in the choice of a substate allocation formula for youth programs, allowing extra monies to be provided to school districts where there exist high concentrations of at-risk students (dropout prone), high school dropouts, or jobless youth. The use of at risk or disadvantaged criteria for substate allocation formulas does not imply that such criteria will be used to determine eligibility for program participation. A state may wish to provide more employment and training assistance to school districts with greater numbers of economically disadvantaged students but not require students to be economically disadvantaged to participate. Open eligibility programs at the high school level should be promoted to prevent the stigmatizing of future youth workforce development programs.

Program Performance and Outcomes Measurement

A central task in the management and evaluation of human resource development programs involves the design and operation of management information systems and outcome measurement programs that can rigorously assess the extent to which programs are able to meet state specific programmatic objectives as well as broader policy goals outlined in the national legislation. Under the proposed Workforce Development Act, the responsibility for developing accountability and performance measurement systems would rest with the states. Under this proposal, states would establish their own programmatic goals and measure progress in

achieving these goals. However, a set of federal benchmarks would exist to guide this effort, including state measures of unsubsidized employment, 12-month retention, earnings gains, and learning competency gains. Thus, states would determine which benchmarks would receive the greatest priority and determine appropriate measures for determining the extent of progress in meeting or exceeding a benchmark. It should be noted that measurement of such gains requires either a comparison or randomly assigned control group against which the experiences of participants will be compared. Before-after comparisons of changes in employment and earnings have repeatedly been found to be invalid as measures of program impacts for youth and adult programs.

The state must also develop measures of the provision of services to welfare recipients, the disabled, older workers, at-risk youth, and dislocated workers. Again, the specific service levels for each of these groups will be determined by the state. While the state will determine the method by which a specific benchmark measure is to be constructed, each state is required under the act to establish a job placement accountability (JPAS) system designed to track clients on a standardized state Unemployment Insurance wage reporting system to be overseen by the U.S. Bureau of Labor Statistics. This system will match post-program wage and employment information for participants served by the state's workforce development system. However, it is important to note that such JPASs will constitute only one data input into the construction of a non-uniform, state-based service, performance, and outcomes measurement system.

Program performance and measurement issues in the McKeon-Goodling legislation appear to be quite similar in key respects to those provided in the Kassebaum legislation. Although the provisions are still sketchy, under the McKeon-Goodling legislation, states would submit a single, simplified consolidated performance report for all four block grants combined. For the youth block grant, state developed performance standards would be used to measure federal outcomes for youth. Such outcome benchmarks would include competency gains in academic and occupational programs, post-high school enrollment rates, and secondary school completion rates. For adult programs, job placements, job retentions, earnings, and receipt of skill certificates would serve as the performance and outcome benchmarks. Again, under the McKeon-Goodling proposal, it appears that states will

develop their own set of performance measures and data inputs to determine the extent to which a performance standard or outcome benchmark is achieved.

Three central elements of any effective program performance measurement system are: (1) that the measures used be clearly linked to the goals and objectives of the programs, (2) that the performance measures and data inputs used to construct such measures be consistent across states and areas within the state so that the measures possess some practical meaning for national and state decision makers, and, (3) that it be possible to measure these outcomes in a reliable and cost effective manner. As currently constructed, neither the Kassebaum nor the McKeon-Goodling bills meet most of these criteria. Rather, aside from a few broadly defined and conceptually foggy benchmarks (e.g., competency gains which have created measurement compatibility problems under JTPA) there is a general absence of concrete performance measures linked to program goals and objectives in either bill. Furthermore, the states are left to their own devices to develop performance measures and data inputs to determine the extent to which performance goals are achieved. Given this lack of standardization, one might expect a state employment and training measurement system characterized by the Lake Wobegone Syndrome in which "all our states are good looking and above average."

There is a need for somewhat different measures of program performance for in-school youth, out-of-school youth, and adult programs. Among adult programs, somewhat different performance measures might well be used for dislocated worker programs and for those serving other adults, given a number of differences in the core objectives of such programs. While states should be allowed to develop state specific performance standards for their programs, there should be a uniform national set of performance measures for these programs, relying on uniform concepts, definitions, and data sources.

Programs for in-school youth should emphasize the following types of outcomes:

In-program outcomes:

- Employment during the program (weeks of work experience)
- Gains in reading/math proficiencies
- Skills certification
- Graduation rates

Post-program outcomes:

- Job placement; wages and hours of work
- Employment and earnings during first year following graduation
- Enrollments and retentions in post-secondary education and training programs

Unlike the past and current JTPA situation for youth programs, a minimum one year follow-up of all youth program terminees must be undertaken by each state, identifying the employment, earnings, and schooling experiences of former participants. Provision of follow-up services and follow-up data collection activities should be allowed as administrative costs.

For adult job training and job placement programs, the following performance measures should be adopted:

- Immediate job placements
- Hours and wages at time of placement
- Employment status in first four quarters following termination
- Earnings per quarter in the first year following termination
- Occupations and industries of jobs held

For dislocated worker programs, the states should use two additional measures:

- Size of earnings loss/gain relative to those on jobs held prior to dislocation
- Skill levels of jobs held versus those from which displaced (occupational titles as proxies)

The legislation should encourage governors to experiment with new approaches, including longer-term occupational training, on-the-job training for dislocated workers, wage subsidies for workers, and occupational upgrading and restructuring, to meet the employment and training needs of state residents. New approaches should be carefully evaluated, with impact measures produced. Governors should then be encouraged to share these findings with each other to assist other states in building replication strategies rather than constantly trying to re-invent the wheel.

Finally, all states should be required to produce an Annual Employment and Training Report that:

- Describes and assesses key labor market developments and

problems in the state and substate areas

- Lists and describes the programs/activities funded under the workforce development act, including state supplements to the national funding levels
- Identifies the numbers and demographic and socioeconomic characteristics of participants served by major component
- Identifies both the immediate outcomes of these programs and the employment and earnings experiences of terminees during the first year following termination
- Identifies findings of any impact evaluations of programs
- Assesses strengths and shortcomings of the existing system; outlines strategies to bolster future performance.

Conclusion

The nation's employment and training network that was designed to serve the unemployed and the economically disadvantaged is at a critical juncture in its history. Current legislative deliberations in the Congress will influence both the future level of real resources that will be made available to meet the needs of these groups and may fundamentally alter the process by which state and local decisions over employment and training policy are made. A strong case can be made for consolidationg the existing diverse and overlapping array of employment and training programs and for providing greater flexibility to governors and local elected officials over the allocation of available funds. In our view, the existing reform legislation would better meet the human resource needs of the nation's unemployed and disadvantaged if it included the following elements:

~A clear and concise mission statement that focussed on participant-based labor market outcomes rather than macro-economic development goals.

~A continued emphasis on meeting the needs of non-college-bound youth, dislocated workers, and economically disadvantaged adults, especially the working poor and the near poor.

~A governance structure linking federal government, state governors, and local elected officials in a truly national system of uniformly high quality.

~Allocation formulas that support the basic goals of the legislation and lend stability to the operation of programs at the state and local levels.

~Uniform national performance measures with maximum flexibility for governors in setting performance standards for these measures at the state level.

~An incentive system for encouraging experimentation with new efforts to strengthen the ability of the employment and training system to raise the long-term earnings of participants.

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PANEL AND CONFERENCE DISCUSSION

The primary purpose of the papers had been to provide a factual background against which state and local program staff could discuss with congressional legislative staff the practical consequences of Senator Kassebaum's S. 143 Workforce Development Act of 1995 and Congressman Goodling's H.R. 1617 Consolidated and Reformed Education, Employment, and Rehabilitation Act, also called the CAREERS ACT. The state and local panel consisted of:

Susan Auld, Commissioner
Vermont Department of Employment and Training

James Callahan, Executive Director
Maryland Governor's Workforce Development Board

Linda Harris, Executive Director
Baltimore City Office of Employment Development

Terry W. Hudson, Executive Director
Houston Works

Aurelia Koby, Chief Executive Officer
San Diego Private Industry Council

Clyde McQueen, President and Chief Executive Officer
Kansas City Full Employment Council, Inc.

Joel New, Director
Division of Employment and Training
North Carolina Department of Commerce

Congressional Respondents were:

Ralph Smith	Congressional Budget Office
Steve Spinner	Senate Labor Committee
Robert Stokes	Senate Labor Committee
Libby Street	Staff of Senator Kennedy
Richard Wenning	Senate Appropriations Committee
Carla Widener	Senate Labor Committee
Ted Verheggen	Senate Labor Committee

Though invited, no staff from the House of Representatives were in attendance.

Discussion focussed on a series of questions raised by Marion Pines as moderator.

1. These bills represent a dramatic shift from the national policy direction and priorities of the past to a possibility of fifty different state directions. Do you support that decentralization? Can you describe some scenarios illustrating how this might play out in your area?

The panelists were unanimous in prefering the decentralization and flexibility advocated by the two bills. However, the panel divided sharply over the issue of state and local division of authority. The local government staffers were unanimous that the legislation should require pass-throughs from state to local government. Aurelia Koby argued that 95 percent of the federal funds should pass through directly to the cities and counties. Without designating any specific proportion, Terry Hudson and Clyde McQueen supported the premise. The state representatives were all of the view that governors and their staffs could be trusted to work with local governments to accomplish reasonable and equitable distribution of the funds. However, Koby argued that might be true in small states but not in large: "Sacremento already has a bigger bureaucracy than Washington. The Senate bill in particular would provide a lot of opportunities to build up the state bureaucracy rather than drive the decision-making down to the local level." To give autonomy to a State of Vermont with 550,000 people but not to San Diego with 2.6 million seemed an anomaly.

The city and county staff were also convinced that any effective workplace development system had to be "employer driven" and that was more likely to be accomplished at the local level. Koby quoted a San Diego employer of 350 as saying, "I don't have any jobs in my company. I only have work to be done and I need people capable of doing that work, whatever it may be." To her, that meant lifelong learning and ongoing training with an adaptability to be worked out flexibly with each individual employer, a task which could be accomplished only locally.

Terry Hudson appealed for balance. He noted Dick Nathan's reference to the concept during earlier periods of workforce policy-making of the states as 48 laboratories for experimentation. But all

of that, he pointed out, came from four states:

> Where were the other 44? I know this is an ugly word here, but there has to be a blend of prescriptiveness along with autonomy, national on state and state on local. There has to be an infrastructure in place and then let the creativityhappenwith decisions made at the local level with a strong private sector input. If you don't prompt that outcome, you may not get creativity. The prescriptiveness of the 1992 JTPA amendments drove the private sector away. And if we don't have local discretion as well as local accountability the same thing will happen in the future. We need the employers more than they need us and we have to give them decisions to make as a reason for being at the table.

Jim Callahan reacted vigorously:

> I've appeared 100 times over 12 years begging House and Senate committees to take off the prescriptive regulations, unshackle us and let us do our jobs. These two bills are headed in exactly the right direction, whether you are at the state level or the local level. I trust the governor. He is willing to negotiate pass-throughs and percentages without the necessity of putting them in federal legislation. I agree that private sector ownership is the key and the more prescription we put in the less likely we are to have that.

He agreed that most labor markets are local and that workforce development must focus there but saw no reason that governors and local elected officials could not resolve their differences. Since state legislatures were even less willing than congress to support workforce development, the important step was to attract the federal funds with the least possible degree of prescriptiveness and then work out state and local compromises in their use.

To Callahan's comment that "the foundation of these to bills is to create a system," Marion Pines agreed that "there is a potential for linking some of these systems together as they are block granted, a potential that we have never had before to really build some integrated systems between child care and mental health, workforce development and community development."

Joel New agreed that cooperation between the state and local government was underway in North carolina as it was in Maryland:

> The core of what we are doing in this legislation is to build an environment, an atmosphere, even a requirement that

build an environment, an atmosphere, even a requirement that we stop and rethink this thing we call workforce development so that it is linked in such a way that we can fully serve the people we are trying to serve. It can become a real engine in our economies then.

However, Linda Harris was not so sanguine about the possibilities of state and local cooperation. In her view, the city of Baltimore rather than the state of Maryland had been the innovator:

Jim trusts the governor and I trust Jim, but the reason Maryland has been able to do what it has is not because of Jim and the governor sitting down and figuring out the formulas. It was a coalition of local directors, of folks across other agencies, and of businesses working these things out. Why shouldn't the legislation recognize this accomplishment with a mandate for local and business participation? There is a federal role, not in prescribing the delivery system, but in assuring that we are not just block granting the money and giving it to the states and then hoping that five or six of them will lead the trail with the rest of us following along ten years later.

Susan Auld saw another problem from the state point of view. The employment and training programs block-granted to the states all faced reduced funding under the assumption that greater flexibility would allow administrative savings and increased outcomes from improved performance. But what about those lead states which had already achieved administrative effectiveness and now would lose money anyway. "We will be penalized for being innovative and out in front." However, she was fully in accord with delegating power to the states. Critical of current and past federal program management, she was confident that localities could "gather your data,make your case to the governor and the legislature and put together a coherent program." A conclusion that led her local panel colleagues to respond, "Well, maybe in Vermont."

Clyde McQueen's concern was not the governor but the legislature which, after all, appropriates the money. He cited an intense rural-urban conflict with only two significant urban areas, St Louis and Kansas City, in an otherwise rural state. "We pay most of the taxes but we always get short-shrift in distribution of the money. We financed one-stop centers with 22 agencies by

federal mandates of private sector involvement,systems integration and a distribution formula putting the money where the population and problems are: "Just because you have a formula for distribution does not mean you are micromanaging the program"

The pass-through discussion ended with Aurelia Koby's expression of concern that:

> When you have a state with budget deficits, it is very tempting to try to take that money to make up for budget deficits rather than putting it where people really need to be trained and educated and prepared for the local work force."

2. Some have said that programs for the poor are poor programs. With new emphasis on universal access, do you foresee rapid switches in strategies and services for the current groups of means-tested participants?

Marion Pines noted the absence in both bills of the familiar limitations of service to the economically disadvantaged and displaced. She cited hearing former House Committee Chairman Augustus Hawkins, who had constantly argued for more specific targetting during his congressional service, make a speech after retirement advocating universal access. When asked why the change, he reponded, "I don't represent Watts anymore." She then asked the panel, "Do you see rapid switches of service goals and service delivery to different populations as a result of this opportunity for universal access?"

Though herself African-American and serving a city with a heavily economically disadvantage population, Linda Harris responded:

> I like the notion of universal access. I hate having a targeted system. Poor people suffer when we serve them by themselves. We have done creative things to make sure that we have all kinds of folks entering and then use our ingenuity to determine who gets what.

But that depends upon having control of the services being offered, being able to adapt service mix to need and not being too constricted in cost allocation procedures among a variety of different funding streams. "Now we have to tell welfare mothers one thing, disabled workers another and young men something else, not because that is what they need but because that is what is available or authorized."

Joel New added, "The key is to focus on need--lack of

Joel New added, "The key is to focus on need--lack of competency, rather than age, income, or family status. To Jim Callahan:

> A great advantage of universal access is that it allows you to give more and better service to employers and attract job placement opportunities thereby. We will work with employers in a much broader fashion and they are going to listen to us when we advocate more entree for disadvantaged folk.

3. Do you think the bills as currently drafted will ensure that traditional target groups will get the workforce development services they need for successful labor market participation?

Referring back to the universal access discussion,Gordon Berlin reminded the panel of past criticisms of JTPA for "creaming:"

> The panelists are assuming they are going to be able to control their own destiny. Isn't there an equal possibility that the governors will use the money to feather the nests of employers who promise to move to their states? That raises the fundamental issue of the purpose of these programs.

The differing state and local responses were notable. Linda Harris agreed that was likely unless the legislation mandated a strong local role in program planning, adapting service mix to identified need. Otherwise, she foresaw services diverted from the more vulnerable populations to the "more informed consumer, the one most likely to vote and most capable of applying political pressure."

Serving a similar population as Linda, Clyde McQueen shared her concern and added that "getting people in the door is just the first step. What you can do for them after you get them inside is the issue." Others can simply be referred to available education and other programs. But the disadvantaged require expensive services not readily available.

From a statewide vantagepoint,Joel New levelled the accusation that the existing system simply fills slots to the extent of available dollars without any concept of an integrated delivery system. If the focus was needs of the target populations, whatever those might be, "an informed set of customers will impose pressures that will bring a response of increased resources for an integrated system of delivery."

Demetra Nightingale saw that response as illustrative of growing

and "world class systems" through "one-stop shops" sounded like mere information about the availability of education institutions, a function Job Service could fill without any funds for those needing rehabilitative services.

At that Marion Pines quoted Sar Levitan and Steve Mangum in the former's final publication, The Displaced vs. The Disadvantaged: A Necessary Dichotomy? that "most important to the concept of the one-stop shop is not the one stop but what is on the counter at the shop." She asked, "Are we going to have all of that system building with nothing inside?"

To which Susan Auld responded that, at least in Vermont, the public employment service was the hub of the labor market system and that repeal of the Wagner-Peyser Act by the consolidated legislation might leave the system without core services. The employment service determines through its labor market information the occupations in demand and then contracts to training institutions for the training. With that hub in place:

> We have IBM technicians at our one-stop. Technology is the key to universal access. We have self-applications, we have all of the job banks, we are on Internet, we have resume writing equipment. You don't need intervention. You can do it yourself. Our one-stop is loaded with a cross section of folks that we have never seen in the employment service before. Now people that are profiled in the unemployment insurance system will be coming in. We contract with Social Welfare to meet the 50 percent target for AFDC recipients but otherwise it is universal access.

Whether or not such an approach would provide adequate services to the economically disadvantaged was a subject of considerable debate. According to Jim Callahan, Maryland is meeting the need with a two-level system consisting of a largely self-service automated referral system for the mainstream and a more intensive second level of counseling, guidance, education and training for the disadvantaged. For that, Jim argues, unemployment insurance administrative funds as well as employment service administrative moneys should be available to the state's workforce development system rather than being segregated and shielded by federal law. Joel New believed that adequate service to the disadvantaged could be provided through a policy of determining and seeking to meet the needs of each individual served by the one-stop centers, characterizing a mandate

for services to the disadvantaged as undue micro-managment. Libby Street was not so sanguine, thinking it likely with declining funds that some states would use their funding solely for labor market information and referral services without underwriting remedial services.

4. Since the Senate bill consolidates funding for the JOBS program into the block grant whereas the House bill leaves it separate, how much pressure do you see in your local area to give a high priority to training for welfare recipients?

Note was made of the fact that not only JOBS but also the employment service and the Job Corps would continue as free-standing programs under the House bill whereas the first two would be subsumed into the block grant in the Senate version with Job Corps turned over to the governors. The panel's concensus was that both the employment service and JOBS should be included in a comprehensive system of workforce development.The job market information and placement services of the employment service are at the heart of the one-stop concept with that assignment probably continuing to rest with Job Service in most states.

There was considerable debate over the relative importance of work experience and skill training in achieving self-reliance for welfare recipients. But in either case the concensus seemed to be that their inclusion in a workforce development system capable of identifying and overcoming employment barriers on an individualized basis had the highest probabilities of success. Little JOBS money was being spent on training, most state welfare agencies relying on JTPA for that purpose. Moving JOBS funds from social service dominance to workforce development providers would provide both increased commitment to employment and more funding to prepare for it. But, Jim Callahan pointed out, that was true only if the workforce development system was left with the same flexibility it was promised for its other customers:

> If the type of strings articulated in the House bill come down with large percentages of mandatory participation and a real lock step service delivery model for masses of people into mandated activities and then in two years they all go into some sort of work, we would say for four or five billion dollars we can do it. Otherwise forget it.
>
> We still have not decided what the objective is. Are

We still have not decided what the objective is. Are we really changing from a support system for kids to a system to get parents into the workplace? Tell me what the goal is and I will design you a program that will reflect and accomplish that goal. But be prepared to pay for it.

Job Corps was more problematic because few enrollees are in their home states. There seemed to be little evidence that governors were eager for the reponsibility but leaving them the option seemed to be a reasonable compromise.

5. Might governors be tempted to use large percentages of Senator Kassebaum's "flex fund" for economic development activities? Do you think occupational upgrading and job restructuring efforts might be tried? Which groups would benefit?

It appeared to Marion Pines that the 50 percent flex fund in the Senate bill and less obvious aspects of the House bill encouraged states to use those funds for economic development activities, something few had done with employment and training moneys in the past:

We have very much focussed on remediating the deficits of job seekers. We have not dealt at all with remediating the deficits of the workplace, job restructuring, job upgrading, or even upgrading the skills of the existing workforce. We have dealt with them once they were laid off because they lacked skills but have never intervened before they were laid off. Now Congress appears to be backing into that arena by suggesting but not requiring a State Workforce Development Board but mandating it if economic development activities are to be undertaken. Do you think it would be a good idea to do so?

Aurelia Koby had interpeted the cited economic development activities to be limited to training, retraining or upgrading workforces as an attraction to either newly entering firms or expanding ones. California had considerable experience with its employment and training panel funded by unemployment insurance money with both positive and negative effects. Marion Pines expressed concern that there was danger of funds being "siphoned off into a slush-fund for well-connected employers," Steve Spinner responded that limits were necessary but:

two different worlds is old-style thinking, just as it is to say that there is no cross over between education and training or JTPA and welfare. If you want to get school-to-work beyond these wonderful leading-edge pilot programs, you have to begin to think about the kind of incentives necessary to involve small and mid-size firms to provide the work-based learning. The big ones can take care of themselves, but, in my view, that is a legitimate use of public tax dollars.

Terry Hudson agreed from Houston experience that resource limitations were constantly forcing the workforce development system back to the private employer who could not be expected to continue to participate without some greater incentives. "When I try to have a vision about this new legislation, I see that as a potential gold mine." Marion Pines raised the issue of displacement of current employees in favor of subsidized new hires. Susan Auld responded that Vermont required a signoff from unions. Clyde McQueen referred to the net new jobs requirement of the waivers in Kansas City's welfare reform experiment.

McQueen also described Missouri's State Customized Training Fund providing on-the-job and classroom training and other economic development incentives to new and expanding employers. "It deals with the upper-level worker rather than the economically disadvantaged," a situation he considered appropriate for state appropriated funds dedicated to economic development but inappropriate for the new federal proposals, drawing as they do on funding from programs previously targeted to the poor. "Companies will always go for the number one draft choice, persons with three plus years of college and high levels of skill."

Jim Callahan thought that less likely in a an integrated program, also if there was more local control. Joel New also saw a need to work with rural and economically distressed communities as well as disadvantage individuals. Linda Harris pointed out that limited economic development activities had been allowed under JTPA until Congress removed the authorization in 1992 alleging it was only used to bribe employers to move from state to state. She suggested that economic development incentives might be used as a bonus to persuade employers to hire welfare JOBS enrollees.

The conclusion was that carefully guarded and perhaps capped use of workforce development funds for economic development purposes was appropriate.

6. The Goodling bill has four block grants organized around services to target groups--youth, adult training, adult education and vocational rehabilitation, while the Kassebaum approach has three pots of money, one each for education, employment and a flex fund plus a separate pot for at-risk youth. Which do you prefer?

The state representatives preferred the Kassebaum bill while those from local government advocated the Goodling approach. Clyde McQueen thought the Goodling approach to be preferable for urban areas where the target populations were concentrated. He was concerned that the Kassebaum approach might distract attention from service needs to disputes over control of funds. Joel New stated that governors preferred the greater flexibility of the Kassebaum bill. Susan Auld argued that it was the Kassebaum bill which focussed on service functions rather than target groups and was therefore more amenable to universal access. Linda Harris was concerned that the division of funds between education and employment in the Kassebaum bill would fragment local level planning along those lines and prevent comprehensive planning and coordination. Marion Pines also thought the Goodling bill was more likely to encourage integration whereas the Kassebaum bill would accentuate lobbying between public education and the state employment service. Even the state representatives were concerned that the Kassebaum approach might put the governor and the chief state school officer at odds, as well as foment conflict between lobbying groups. Aurelia Koby was concerned that the Kassebaum bill would reinforce the tendency to retain power and resources at the state level and interfere with San Diego's use of local implementation grants. Despite his state position, Jim Callahan was concerned that the setting aside of 25 percent of funds in an education grant would make it more difficult to bring education programs and funding into an integrated planning process at the labor market level.

7. In your area, what are the prospects for moving vocational education into the Governor's Workforce Development System as part of the School-to Work system?

There appeared to be general concern that earmarking specific funds for education purposes would make it all the more difficult to accomplish integration among workforce development efforts.

Marion Pines assumed the result would be an education plan separate from the governor's plan with little relation between them. Jim Callahan wondered about the possibility of leaving the Kassebaum education set-aside in the hands of the governor as well but giving education officials a veto over its use rather than direct ownership. Carla Widener defended the set-aside on the premise that most state constitutions required separate education governance. Susan Auld thought that all the more reason to avoid bifurcation. Steve Spinner perceived the 25 percent education set-aside as a guarantee that the governor and the school officials would be forced into joint planning. He thought the establishment of performance benchmarks binding upon both would force such cooperation, but the argument did not seem to persuade the discussants. Several discussants cited the existing lack of coordination between vocational education and the school-to-work pilot efforts. To the suggestion that the assembled group was biased in favor of the job training community and suspicious of education policymakers, Marion Pines responded that most of the job training money over the years had been spent to buy services from education institutions. The concensus appeared to be that the education and employment funding split of the Kassebaum bill needed reconsideration.

8. Where will the advocacy for youth development policy come from in your state? Which bill gives the better chance and why? What are the best prospects for retaining summmer jobs for youth?

Alan Zuckerman expressed concern that a universal access system would always tend to leave out those the most difficult and expensive to serve. Including threatened recissions, he foresaw a cut of between one-third and four-fifths in year-round youth programs. He saw nothing in either bill to guarantee service to at-risk youth. School-to-work programs were also largely bypassing that population, yet some combination of education and work experience was essential to overcome at-risk status. Aurelia Koby disagreed with the need to separate youth development from workforce development and at-risk youth from other youth. The need was to integrate rather than to segregate. Several were of the view that, given the poor performance of classroom training on behalf of youth and the demonstrated relationship between education and income, that the workforce development need on

their behalf was not to mount training programs but to provide a referral source for educational opportunities. Others wanted the discretion to directly purchase training but did not want to be required to do so or limited to that. Linda Harris believed local program planners could be trusted to design programs to fit whatever population appeared for service and Joel New believed that to be true also at the state level. To designate target groups at the federal level was micro-management. Zuckerman, on the other hand, was convinced that the tendency of both educators and employers would be to ignore the most at-risk without specific evidence of legislative concern and mandated provision of services for them.

9. What is your response to Senator Kassebaum's proposal to devolve Job Corps to the states with a dedicated stream of funding?

Advocacy for bringing Job Corps under state control appeared to be limited to the congressional staff present. Since Job Corps centers were administered either by private contractors or federal agencies and enrolled participants without regard to state boundaries, the state and local government practitioners had never percieved Job Corps as within their range of either responsibilities or resources. Steve Spinner thought it an anomaly to advocate an integrated workforce development system in Massachusetts and then leave the largest at-risk youth component, the budget of the two Job Corps centers in the state, out of the planning process. But as Susan Auld responded, "I can understand the reasoning, but from a state perspective, I wouldn't want to have much oversight over the management of a Job Corps center managed by an out-of-state company and serving only a handful of our kids.

10. Which approach to vouchers do you consider the most workable?

The discussants were unanimous that they wanted vouchers as an option available to state and local governments but not mandated from the federal level.

11. Benchmarking and accountability get a lot of attention in both bills. Will we end up with 50 different performance systems inadequate to either guide or defend the programs?

Though the conferees were unanimous in recognizing the need for performance measures as essential to accountability, they were sharply divided concerning the locus of that responsibility. Richard Nathan was "skeptical about centralized scorekeeping ." He agreed that "the public should have feedback and a sense of what the government is trying to do...but you mustn't understate how hard it is to do." He would have the federal government insist that the states create and implement accountability systems adapted to their own realities but not involve itself in that activity. Isabel Sawhill disagreed, arguing that Congress could not allocate federal funds without eventually knowing the results. "If it is federal money that is being spent, strings are going to be reattached unless performance accountability can be demonstrated." Clyde McQueen interposed that his organization received and spent considerable private funds and found those donors just as anxious for performance indicators to prove that their funds were being well spent. He alluded to adjacent local service delivery areas with vastly different levels of competence and accomplishment, yet each convinced they were doing a good job. To Libby Street the challenge was identifying the policy objectives and than developing performance indicators capable of measuring progress toward them Otherwise the measures had no social validity. Susan Auld was of the opinion that Vermont needed a different set of indicators than Oregon but Linda Harris was concerned that without some nationally consistent measure, " no one will be able to answer when folks ask four years from now 'did it work?"

There was no concensus but a prevailing view seemed to be that consistency and comparability was necessary among performance measures requiring some central role in their formulation. Research and evaluation was something else again requiring independent analysis which governments could contribute funding to but neither do nor dominate. But sooner or later users of public funds must be able to prove to the taxpayers and their representatives that the services have been worth the expenditures.

12. If you had the chance to offer one floor amendment, what would it be?

Jim Callahan asked for two, a requirement for a local private sector-dominated board with the state required to recognize and use it and reconsideration of the 25 percent education set-aside. Joel New wanted only assurance that new regulations and federal

micromanagement would not in the future reverse the welcome deregulation. Susan Auld was concerned that the flex account was not flexible enough--too much was being earmarked and left aside. Terry Hudson was concerned that local workforce development boards be given the latitude to do their own experimentation and not be locked into a state-dominated system. Several were skeptical about joint administration by the Labor and Education Departments, even when refereed by private sector participation. Linda Harris was concerned that there be real decisions to be made by local workforce development boards to give employers an incentive to become and stay involved. Aurelia Koby's amendment was simple and straightforward: a 95 percent formula passthrough to the local level.

CONCLUSIONS

Marion Pines

Given the diversity of perspectives among the participants, the symposium did not seek to achieve concensus on all issues, but rather to illuminate key concepts.

On the issue of GOVERNANCE:

There was almost unanimous support for the concept of the Federal Partnership as outlined in the amended Kassebaum bill, based on the frustration state and local people have experienced over the years with mixed messages emanating from different federal agencies. There was some skepticism expressed about the ability of federal agencies to actually merge their authority but strong support for giving it a try.

There was strong support for the coordinating potential of the governor's office as long as a clear and significant role is mandated for local areas, including a formula-based pass through of funds, as described in the Goodling bill. However, there was great concern expressed about potential erosion of the governor's ability to design an integrated system if 25 percent of the funds are passed directly to education as in the Kassebaum bill.

On the issue of PURPOSE:

Despite some of the more lofty global goals mentioned in both bills, there was general agreement that these bills represent an opportunity for serious systems building for the development of human capital. It was hoped that the lexicon of education and training or employment and training could be replaced with the more understandable phrase "workforce deveopment."

Both bills in their current form are explicit that there be "universal access" to workforce development information and services. There was strong support for that concept in recognition of the stigma attached to programs for the "poor." Participants seemed fairly optimistic that current categories of enrollees would not be short-shrifted in the process, given the growing ability of technology to self serve a greater variety of people.

On the issue of FUNCTIONS:

There were several major concerns that came out of a spirited discussion about the appropriate functions of a workforce

development system. First of all, were we concentrating too much attention on "system building" while ignoring what the system was going to be able to deliver? There were equally strong but divided sentiments expressed on both sides of the issue of structure vs. content.

There were equally divided views on the whole matter of "economic development" and on how much flexibility governors should be allowed to retain without getting into micro-management and over-regulation. However, there was almost general agreement that there should be some controls over this function.

There was general agreement that the "school-to-work" paradigm should be the functional umbrella for both in school and out of school youth development. This agreement extended to the pivotal role that the private sector must play in providing work-based learning opportunities for youth, "work first" opportunities for welfare recipients and policy guidance for the entire enterprise. How to engage and sustain the requisite level of private sector "ownership" remains an acknowledged challenge.

On one functional issue, there was unanimity: vouchers should not be mandated.

On the issue of ACCOUNTABILITY:

There was no agreement on the need for strong outcome-based accountability systems. The major discussion focussed on the issue of a national accountability system vs. 50 state systems, and we came to no concensus. Of primary concern is how to balance the need for building and sustaining federal support for workforce development based on reliable performance data without becoming either overly prescriptive or overly permissive. There was general agreement that, at a minimum, the federal government should set standards for state accountability systems and that this should be accompanied by a commitment to ongoing serious research-based evaluation.

At the conclusion, congressional staff expressed deep appreciation at the opportunity afforded them to participate in a free-wheeling issues-focussed discussion involving experienced and thoughtful practitioners from across the country. We suspect our founder would have been equally pleased.

SYMPOSIUM PARTICIPANTS

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Burt Barnow ..... Johns Hopkins University
Gordon Berlin ..... Manpower Development Research Corp.
Seymour Brandwein .. National Council on Employment Policy
Jim Callahan ..... State of Maryland
Rob Callahan ..... Johns Hopkins University
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Terry Hudson ..... City of Houston
Roberts Jones ..... National Alliance of Business
Robert Knight ..... Nat'l Assoc. of Private Industry Councils
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