

Cato Institute Policy Analysis No. 77: The Failure of Federal Job Training

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Executive Summary

Federal job-training programs have harmed the careers of millions of Americans, failed to impart valuable job skills to the poor, and squandered billions of dollars annually. For 25 years, government programs have warped work ethics, helped disillusion generations of disadvantaged youth, and deluged America with fraudulent statistics. After spending over a hundred billion dollars on manpower programs[1] we have learned little or nothing; today's programs merely repeat the mistakes of the early 1960s. Federal programs have reduced the incomes of millions of trainees and have helped create a growing underclass of permanently unemployed Americans.

In the last 25 years, we have had more than 50 different federal training programs--yet unemployment rates have kept increasing; indeed, they have soared among groups targeted by government jobs programs. Every few years the names of the programs are changed and the politicians and Labor Department swear that success is just around the next budgetary bend, but little or nothing improves.

Amazingly, the federal government has stayed in the training business for a quarter of a century without any major success to show for it. America has been served an alphabet soup of failed jobs programs--from MDTA (Manpower Development and Training Administration), to CETA (Comprehensive Employment and Training Act), YEDTP (Youth Entitlement Demonstration and Training Program), JTPA (Job Training Partnership Act), AYES (Alternate Youth and Employment Strategies), STEADY (Special Training and Employment Assistance for Disadvantaged Youth), STIP, BEST, YIEPP, YACC, SCSEP, HIRE, ad infinitum.[2]

Federal training failures have been masked by endless statistical shams. The Department of Labor has strained for 25 years to expand the definition of "success"--from counting Job Corps trainees as employed simply by confirming that they had a job interview, to counting as permanently employed people who spend one day on a new job, to counting as a major achievement teaching 17-year-olds to make change from a dollar. DOL's abuse of statistics epitomizes the welfare state's disregard of the evidence of its failure. A 1979 Washington Post investigation concluded, "Incredibly, the government has kept no meaningful statistics on the effectiveness of these programs--making the past 15 years' effort almost worthless in terms of learning what works." [3] Since 1979, DOL has perfected its ostrich act and now knows almost nothing about how its training programs are operating on the state and local levels.

Auspicious Beginnings

The father of modern government training and employment programs was President Franklin D. Roosevelt with his Work Progress Administration (WPA), the largest program of the New Deal. When Roosevelt announced this relief program, he declared, "All work should be useful in the sense of affording permanent improvement in living

conditions or of creating future new wealth." FDR's standards for WPA have been mocking government employment programs ever since. WPA, commonly known as "We Poke Along," distributed paychecks to over 3 million people and is generally credited with giving leaf raking a bad reputation for an entire generation. By 1938, even FDR was embarrassed by his pet program.

The modern era of manpower law opened with the Area Redevelopment Act of 1961, a statute based on the "right" of geographical areas to equal economic development. The Area Redevelopment Administration (ARA) was established to direct federal money and training funds to depressed areas and was expected to play a substantial role in achieving full employment. Like subsequent federal training programs, ARA was based on the idea that jobs should come to people, rather than people going to jobs. ARA was thus the first of many training programs that discouraged individual adjustment.

Many of ARA's targeted unemployed did not want to learn a new trade. As its first annual report noted, "One of the most serious obstacles was the fact that job opportunities in redevelopment areas were limited because of the long-term economic decline which characterizes those areas." [4] In ARA's first year, only 6,492 trainees enrolled--and fewer than 1,300 got jobs in fields related to their ARA training. Since unemployment exceeded 5 million when ARA was enacted, ARA's impact was negligible.

The Area Redevelopment Administration's goal was to "create jobs" and give training; but the General Accounting Office (GAO) found that the agency typically overreported the number of jobs created by 128 percent, [5] did not use available information to evaluate the number of new jobs supposedly created, [6] and routinely gave millions of dollars to locales that no longer had high unemployment. [7] By 1965, the ARA had sufficiently discredited itself to be renamed the "Economic Development Administration."

In 1962, Congress passed the Manpower Development and Training Act (MDTA) to provide training for workers who lost their jobs due to automation or other technological developments. MDTA was hailed by "manpower experts" as the great hope for American workers.

But, though MDTA expanded throughout the 1960s, its success was confined largely to political speeches and statistical charades. In 1964, GAO revealed that the Manpower Development and Training Administration defined as permanently employed any trainee able to hold any job for a single day. In a 1972 report, Federal Manpower Training Programs--GAO Conclusions and Observations, GAO concluded that federal manpower programs were failing on every score--that youth programs were not reducing the high-school dropout rate, that valuable job skills were not being taught, that little effort was being made to place trainees in private jobs, that DOL monitoring of contractors was inadequate, and that little follow-up of trainees was occurring. [8] GAO noted, "According to DOL, there is an overriding concern with filling available slots for a particular program rather than with developing the mix of services that the person needs." [9]

A Congressional Budget Office report on MDTA concluded, "The impact of training on wage rates has been minimal; the wage rate increases of participants are not substantially different from those of nonparticipants." [10] A 1967 poll by the Manpower Research Council found that 80 percent of the members of the American Society for Personnel Administration felt that "the federal government's manpower and training administration has not helped them find qualified employees; and the largest percent of this group said this was because training was given in the wrong skills." [11]

As GAO noted in a later report, "The Federal Government has been very responsive to employment and training problems but tends to respond to such problems by creating separate programs." [12] New federal training programs were created by the bushel: by 1967, there were 30 of them. Congress attempted to resolve the confusion by creating the Concentrated Employment Program, but to no avail. A GAO report on CEP found that in East Harlem, the program sought to enroll 1,400 trainees but placed only 6 people in jobs. In Central Harlem, CEP was more successful: it sought to enroll 1,400 and succeeded in placing 31 trainees in jobs. [13] A 1973 GAO report on the District of Columbia Manpower program found 17 different agencies with 91 different programs, with no coordination. GAO concluded that "no one knows how many people are being trained; for what occupations they are being trained, or the impact on the demand for skilled workers." GAO noted that the same problems existed "in any urban area in the nation." [14]

In 1973, faced with a confusing hodgepodge of floundering training programs, Congress passed the Comprehensive Employment and Training Act (CETA). In the preface to the new law, Congress conceded that "it has been impossible to develop rational priorities" in job training. Existing federal programs were widely perceived as failures, and CETA was supposed to be the cure for all that ailed job training. However, most of the contractors and subcontractors under MDTA were simply given new, often more lucrative grants and contracts under CETA. The same agencies and nonprofit organizations repeated the same mistakes under a new acronym.

CETA began as a training and employment program, but job creation took precedence during the 1974-76 recession. Although the recession was over, when President Jimmy Carter took office in 1977, Carter nonetheless ordered the creation of 350,000 additional public service jobs by year's end. Local government officials complained to Congress that the Labor Department was pressuring them to hire more people than they wanted; DOL officials threatened to withdraw all funds if localities did not spend "another million by Friday."

CETA spent \$30,000 to build an artificial rock for rock climbers to practice on, gave \$500 a month to a communist agitator in Atlanta to, in his words, "organize for demonstration and confrontation," and paid for a nude sculpture class in Miami in which aspiring artists practiced Braille reading on each other.[15] The usual racketeering abounded. In Philadelphia, 33 Democratic party committeemen or their relatives were put on the CETA payroll. In Chicago, the Daley political machine required CETA job applicants to have referral letters from their ward committeemen and left applications without such referrals piled under tables in unopened mail sacks.[16] In Washington, D.C., almost half the City Council staff was on the CETA rolls.

CETA was often used to increase demand for other government services. In Florida, CETA recruits went door-to-door to persuade people to sign up for food stamps. In Maryland, CETA workers offered free rides to the welfare office. In New York, CETA workers ran a phone service to inform people what unemployment compensation benefits they were entitled to.[17]

At one point, CETA was paying over 10,000 artists and spent over \$175 million on art projects. This was not because CETA expected an increase in the demand for artists or because any inadequacy was identified in existing methods of training artists. CETA spent millions on the arts simply because it thought that the arts were a nice thing and that taxpayers should have more of them, whether they liked it or not. In Montgomery County, Maryland, the richest county in the nation, CETA paid nine women \$145 a week to attend ballet school. In Poughkeepsie, New York, CETA workers busied themselves attaching fake doors to old buildings to beautify the city.[18]

But, perhaps worse than wasting the public's money, CETA squandered part of the lives of its participants. A study by SRI, a Labor Department contractor, concluded that "participation in CETA results in significantly lower postprogram earnings" and that "all program activities have negative effects for men." [19] A study by the Urban Institute concluded that CETA produced "significant earnings losses for young men of all races and no significant effects for young women." [20] Studies by the Policy Research Group and the Center for Employment and Income Studies concluded that CETA had "negative overall effects" on employment.[21]

CETA spent \$53 billion--yet only 15 percent of its recruits got unsubsidized jobs in the private sector.[22] In 1982, when CETA was winding down, GAO found that 50 percent of laid-off CETA workers were unemployed and that 55 percent of those were receiving one or more forms of government handouts. Only 25 percent had permanent, full-time jobs.[23]

The Job Corps

In the early 1960s, as the first wave of baby boomers joined the job market, youth unemployment rose sharply. Secretary of Labor Willard Wirtz proposed solving the youth-unemployment problem by requiring all youth to stay in school till age 18.[24] When Wirtz's proposal was not accepted, the "experts" decided that there was a grave school-to-work transition problem and that massive federal intervention was the only solution. Since 1961, government jobs programs for youth have prospered while the youth themselves have fared increasingly worse.

The Job Corps, created in 1964, was the flagship of President Lyndon Johnson's War on Poverty. Johnson claimed that the poor were trapped in a cycle of poverty and that only the government, by taking charge of poor youths' lives, could

save them. Johnson's view must have surprised the millions of poor immigrants to America who had raised themselves out of poverty. Designed to remove youths from their home environment and give them a new start, the Job Corps was to be mother, father, and spiritual adviser to its young charges. It is a classic example of a federal agency getting a good reputation at birth and retaining it regardless of how badly it fails in succeeding years.

In a major 1969 study, GAO concluded that "post Job Corps employment experience . . . has been disappointing." [25] Job Corps trainees did not do materially better than other eligible youth who had applied to enter the program and then chose not to participate. A GAO survey discovered that in the cases of 362 corps members who left the program in 1967 and were reported to be employed immediately thereafter, 22 percent of their "employers" indicated that the Job Corps trainees had never worked for them. Only 25 percent of employed trainees were working in areas in which they had received training.

Nor has the Job Corps's record improved. An unpublished study conducted by the Operations Research Institute in 1972 found that Job Corps recruits were much more likely to be unemployed after their training than before. [26] GAO discovered in 1979 that recruits who dropped out of the corps within the first 30 days had higher average earnings afterward than those who stayed in up to six months. [27]

The history of the Job Corps is largely a history of the abuse of statistics. When few of the early recruits went on to get jobs--the original purpose of the corps--policymakers decided that it was also a "positive" outcome if trainees went back to school. However, since many recruits were in school before signing up, it is difficult to see how going back to school could rank as a major accomplishment. When the number of trainees getting jobs continued to be abysmally low, definitions were further stretched to count only those recruits who had completed a vocational training course--about one-third of all Job Corps recruits. If a member of this group had held a job for a single day after leaving the corps, he was counted as "employed" as a result of the training program. GAO found that one corps center counted graduates as employed simply by confirming that they had had a single job interview scheduled. DOL, with prize-winning chutzpah, claimed the Job Corps had a success rate of over 90 percent throughout the 1970s.

One of the main effects of the Job Corps has been to redistribute crime from inner cities to suburban and rural training centers. Many localities have sued the federal government to bar placing corps centers in their domain. In the 1960s, it was common for judges to tell youths convicted of crimes, "Go to jail or go to the Job Corps." Job Corps centers are renowned for the stabbings, rapes, and thefts that are often perpetrated by the trainees. Sen. Mike Mansfield (D-Mont.) complained, "It was not my intention to support the establishment of three reformatories in my state."

Two-thirds of Job Corps recruits drop out of the corps before they complete the vocational training course. This is understandable, considering the quality of the training the corps provides. GAO found that "interests and aptitudes are seldom determined and used in assigning youths to centers and specific training." [28] The vocational training provided usually gives recruits only the illusion that they have valuable skills. The medical lab-technician program places fewer than one in five trainees in related jobs. The mail clerk program places fewer than one in six trainees. The corps is still training people to be railway clerks, even though railroads appear to be a dying industry. The corps only recently began a limited program in word processing, even though word processing has long been one of the fastest growing job fields. [29]

Even when the training is good, it is often not geared for the youth's locale. Most Job Corps recruits train hundreds of miles from their home towns; this may be a good way to break dependencies or bad associations, but it means that they are not getting skills that are in demand where they live. As usual with government training programs, corps members receive training in skills that are the easiest for the government to provide, rather than those in greatest demand.

Job Corps officials insist that they have a hard task because 85-90 percent of their recruits are high school dropouts. But Job Corps recruiters actually encourage youths to drop out of high school and join the corps. Corps members receive a stipend of up to \$100 a month to learn what they were often previously learning in public schools. Many who drop out of school are already in vocational education programs, programs that are sometimes better than what the corps offers. Recruiters are paid on a per-head basis, however, so they entice youths to leave school and join the corps.

Summer Youth Employment Programs

In 1964, it was decided that government should hire any low-income teen who couldn't find a job on his own. Soon, with the usual bureaucratic imperialism, local governments were vigorously dissuading teens from even looking for private jobs, begging them to come learn to be a "government worker."

Federally funded summer jobs programs have warped hundreds of thousands of youths' work ethics and helped blight a whole generation of inner-city children. The General Accounting Office concluded in 1969 that some workers "regressed in their conception of what should reasonably be required in return for wages paid." [30]

Ten years later, GAO found that "almost three of every four [urban] enrollees were exposed to a worksite where good work habits were not learned or reinforced, or realistic ideas on expectations in the real world of work were not fostered." [31] And, according to government training experts, the situation hasn't changed much since then.

Summer jobs programs have always been laughable--basically a federal slush fund for mayors. The only real requirements for program operators are to pay minimum wages and not to lose the money.

The Neighborhood Youth Corps was established in 1965 to give poor urban youths "meaningful" work experience and to encourage them not to drop out of school. But, as the General Accounting Office reported repeatedly, the program had no effect on dropout rates and did not prevent a huge increase in youth crime rates. [32] And "meaningful work experience" has always been defined by government social workers or political appointees--not exactly sage judges of value.

Like other jobs programs, summer youth programs have required frequent name changes to retain their credibility. In 1972, the Neighborhood Youth Corps was rechristened the "Summer Program for Economically Disadvantaged Youth" (SPEDY); in 1977, the name was changed again, to the Summer Youth Employment Program."

To call SYEP a "jobs program" is a serious abuse of the language. In Washington, D.C., teens busy themselves this summer building a model cardboard city or attending a "Basketball Reading Incentive Camp." [33] Many are routinely sent home with pay hours before their "work day" ends and have complained about being required to listen to endless lectures about South Africa and nuclear power. [34] In Baltimore, teens will be paid for passing out toys and for chauffeuring cats and dogs to old folks' homes. [35] In Phoenix, SYEPers last year enjoyed themselves painting pictures of cars on the sides of buildings. [36] Across America, being in the general vicinity of a broom or rake constitutes a "real job" for SYEP.

SYEP often looks like a full-employment program for social workers. Job Training descriptions abound with such terms as "self-enrichment," "self-exploration," and "getting to know yourself." In Martha's Vineyard, Massachusetts, one job program "attempts to facilitate interactions between students who have had little previous exposure to each other . . . in a co-teaching enriched work experience." [37] In Richmond, "participants will attend weekly meetings designed to help youths organize their thoughts, values, and life goals through exercises in self-awareness and community awareness. Participants will be counseled into making a decision on possible employment situations." [38]

"Job shadowing"--following a regular employee around and watching him toil--is a favorite SYEP job description. Many SYEP jobs apparently consist largely of "job readiness training." At J. Sargent Reynolds Community College in Richmond, the program's goal is "to provide a comprehensive pre-employment experience for 20 participants age 16 to 21." [39] These may be good things--but they have nothing in common with doing a day's work for a day's pay.

If these youths had nowhere else to go, SYEP might not be such a scourge on their characters. But local governments are becoming aggressive employers of first resort for young people. The motto of the Washington, D.C., program is "Go with us--Grow with us in 1986." The New Hampshire Job Training Council is getting the rock band Aerosmith to perform at their annual kick-off to drum up interest among youth. Phoenix is trying to get Jesse Jackson to come and dignify the program with his presence. These desperate gimmicks are understandable, since many localities cannot find enough youth to fill federally funded positions. [40]

In the private sector, a youth keeps a job by producing enough to earn his pay. In the public sector, administrators earn brownie points by firing as few teens as possible. According to one SYEP expert, the only time some youths show up

at work is to get their checks.

Jim Moore, Director of Phoenix's Employment and Training Division, observes that SYEP "is more for the good of the participant than for the business or organization that's using these kids." [41] In Baltimore, ads urge businesses to "buy a kid a job" for the summer. This may sound humane, but pampering kids with "feel good" experiences is no way to prepare them for jobs that are often tedious and difficult, and require an actual contribution to the firm's output. Such programs as SYEP are a prime contributor to illusions and unrealistic expectations among some young blacks about the world or work and may have actually increased long term unemployment. Columnist William Raspberry noted, "We are raising a generation of kids who don't know the meaning of work" and cited summer jobs programs as one of the culprits. [42]

SYEP leaves many youths worse off than they otherwise would be. A study of SYEP by Harvard professors Jon Crane and David Ellwood funded by the Department of Health and Human Services concluded that "roughly 40% of SYEP jobs simply displace private employment" for minority youth. [43] This is especially bad since, as Vice President Mondale's Task Force on Youth Unemployment reported in 1980, "private employment experience is deemed far more attractive to prospective employers than public work." [44]

SYEP is popular with politicians partly because it is a pork barrel. In Washington, D.C., the city is covered with leaflets proclaiming, "The Mayor has a Job for You." Politicians get to take credit for what kids would have done for themselves anyway.

The National Academy of Sciences, in a major report issued in November 1985, concluded that none of the government employment and training programs for young people, except the Job Corps, significantly improved long-term earnings or employability. [45] Though SYEP has sometimes been justified as 'fire insurance'--a bribe to deter youth from looting and so on--NAS concluded that SYEP did not reduce criminal activity among participants.

NAS examined a variety of trial programs for low-income youths created during the Carter administration and found that none--from guaranteeing teens jobs after completing school, to providing special job-placement assistance, to subsidizing wages--showed evidence of significant success. Though over \$2 billion was spent on youth-employment "experiments" from 1977 to 1981, NAS concluded that the vast majority of "evaluations" had little or no scientific worth. NAS observed, "Virtually all of the YEDPA project evaluations had only three-to-eight month postprogram followups" of participants, [46] thus making it impossible to evaluate the program's long-term effects.

NAS noted, "Though it is widely recognized that of all youth employment problems those of school dropouts are the most serious, there appears to be a tendency for employment and training programs to avoid serving this group." [47] In San Francisco, only 3 percent of SYEP participants in 1985 were school dropouts. In Baltimore this year, the mayor announced that only students with good attendance records would be eligible for summer government jobs. This policy makes a travesty of targeting the program to the neediest, least-capable job seekers.

NAS did note "mutually negative attitudes by SYEP participants and program personnel toward each other." In Washington, SYEP recruits often complained about long, boring, and repetitive orientation sessions. NAS noted that "relatively few trainees have positive evaluations of the programs." [48] Sen. Lawton Chiles (D-Fla.) complained in 1979 that youths in summer jobs programs "get such a strong message of cynicism and corruption that it cannot fail to carry over into their attitudes about work, crime and society." [49]

Government jobs programs saturated black inner cities in the late 1970s. In 1978, up to half of all black teenagers who were working had jobs with government programs. In subsequent years, some of the sharpest declines in employment and laborforce participation were shown by the group most heavily targeted by government jobs programs. The employment-to-population ratio for out-of-school black females aged 20-24 nosedived from 63.4 percent in 1978 to 48.5 percent in 1981. The employment-to-population ratio for black males aged 16-24 fell from 67.8 percent in 1978 to 57.8 percent in 1981. The inactivity rate-- the percentage of the population neither employed nor in school-- for black males aged 20-24 almost doubled between 1978 and 1983, from 15.9 percent to 27.0 percent. For black females aged 18-19, the inactivity rate increased by over 50 percent between 1978 and 1983. [50] Some of the declines can be accounted for by the reductions in government employment programs. But much of it may be due to bad habits and unrealistic attitudes picked up from government programs.

The Job Training Partnership Act

The Job Training Partnership Act is the Reagan Administration's contribution to job training. President Reagan frequently cites its 68-percent job-placement rate for "economically disadvantaged" trainees as proof of the success of a public-private partnership. Former labor secretary Ray Donovan called JTPA 'one of the greatest achievements in the history of government social policy,'[51] and current labor secretary Bill Brock calls it "a model for human resource programs." [52] But JTPA's success is a mirage: instead of serving the hard-to-employ, JTPA is largely a welfare program for business.

As a Congressional Quarterly study noted, "By wiping the slate clean . . . changing the law's name and modifying its governance structure--JTPA provided a new lease on life for federal job training strategies." [53] Most JTPA contractors also provided services under CETA. Once again, the main thing that has changed is the program's name.

JTPA is more private-sector oriented than CETA was, but it is still a creature of politics and bureaucracy. JTPA programs are advised and sometimes directed by local Private Industry Councils (PICs). The PICs are free to establish job-training programs as they choose. They only need to meet standards set by the Labor Department for job placements, average wages, cost per placements, and total expenditures on youth.

JTPA's success figures are virtually worthless. The national 68-percent placement rate is concocted from 50 state measurements with no consistency or uniformity. JTPA's placement figures are "largely one-day-on-the-job" figures, according to Gary Walker, a New York consultant who has evaluated the program for the Ford Foundation and others. [54] (A 1979 GAO report found that 78 percent of those who got jobs through government training programs in the Tidewater area of Virginia either quit or were fired within six months. [55])

Perhaps even more misleading, JTPA's placement rate refers only to "graduates." In some states, people who drop out of training programs are treated as if they never existed. This sleight-of-hand makes JTPA look significantly more successful than it is.

The Reagan administration claims that JTPA serves primarily the hard-to-employ. But up to twice as many people are eligible for JTPA as were for CETA. JTPA's guidelines are so broad that over 42 million people have been eligible for government-subsidized training since October 1983. (Fewer than 2 million have signed up.) Under CETA, recruits had to be unemployed or underemployed. Under JTPA, someone can quit his current job and enter government-paid training for another one.

Nor are JTPA recruits the hard-core disadvantaged that politicians portray. JTPA is serving a lower percentage of high school dropouts (23 percent) than did CETA. Roughly a fifth of JTPA recruits have some college or post-high school education

JTPA primarily transfers the cost of job training from the private to the public sector. The National Alliance of Business published a booklet titled, "Bottom-Line Benefits: Increasing Profits Through Targeted Tax Credits and Job Training Incentives." JTPA pays employers 50 percent of a worker's wages for up to six months if the employee is receiving on-the-job training. Little monitoring is done to ensure that businesses actually train the worker. The Private Industry Councils are encouraging businesses to use JTPA for their routine training expenses, and boast that participating companies have lowered their operating expenses.

"Customized training"--designing a training program for the specific training needs of an individual company--is a popular JTPA activity. In Cincinnati, JTPA is paying for in-house training program costs previously assumed by General Electric. [56] In Spring Hill, Tennessee, JTPA will help pay training costs at General Motors' new Saturn plant. In New Jersey and Maryland, special programs have been set up to train people to work at McDonald's restaurants. [57] The local PICs brag that the programs have a high placement rate, but McDonald's would have had to train people anyway. The only difference was who paid for the training.

Where JTPA is not paying for training that would have occurred anyway, it often pays for training for jobs that don't exist. In the mining region of Minnesota, unemployment reaches 80 percent in some towns. With the decline of the

American steel industry, demand for iron ore will remain depressed, and new industries are unlikely to enter the area. Yet JTPA is pouring in money to retrain the locals and help them search for nonexistent jobs. As a Labor Department study noted, "Relocation is part of the program that is not very popular among the training staff." [58] Work America, a bi-monthly newspaper published by the National Alliance for Business, one of the largest government contractors involved with JTPA, observed, "Operating a job training program when there are very few jobs is similar to producing a product which has no available market." [59] Like agricultural subsidies that keep unsuccessful farmers on the farm, job training subsidies encourage people to stay in depressed areas with little or no hope of ever finding work.

A recent five-part series in the Pittsburgh Press concluded that JTPA "is mired in a bureaucratic tangle that throws millions of dollars into dead-end training programs." There were the usual myriad stories of waste, fraud, and abuse. One employer defended himself: "Just because a businessman has an on-the-job training contract and his two sons are his only employees, where's the conflict of interest? Is it wrong to upgrade the skills of your children?" One participant in an electronic training program complained, "There was never enough equipment to work on and most of the equipment was from 1969. One woman who wanted to attend morticians' school was "frustrated by JTPA bureaucrats who said she needed psychological counseling because her career goal was morbid." Another trainee complained, "They give you directories of companies and have you call Vice Presidents to get around the personnel office, but all that happens is that you get transferred to the personnel office anyway."

In Pittsburgh, 96 percent of JTPA funds were being spent on classroom instruction--even though classroom instruction is known to be the least effective training method. But it is much easier to stick clients in a classroom than to place them in private jobs, so employment and training bureaucrats often favor endless classroom training. [60]

JTPA's most bizarre feature is its "employment-generating activities." The PICs are using tax dollars to advertise and procure federal contracts. Illinois used JTPA funds to set up Procurement Outreach Centers around the state to help local businesses chase federal contracts. The National Alliance of Business thought this program was so clever that it gave Illinois an award for the program. [61] Indiana has a similar program. [62] In Sacramento, JTPA paid for advice on loan packaging, taxes, and employer-employee relations for small businesses. [63]

JTPA's youth programs are as bad as CETA's. Sen. Dan Quayle (R-Ind.), the chief author of JTPA, claims that "JTPA has a job placement rate . . . for the young people around 70 percent." But according to the Labor Department, less than 40 percent of JTPA youths get jobs--even for a single day. JTPA inflates its apparent success rate by combining job placements and other "positive terminations"--including returning to school and development of "youth competencies." The PICs can count as "youth competencies" almost any activity that teenagers choose short of suicide. "Youth competencies" usually refers to "employability skills"--such as "world of work awareness," "making change" from a dollar, [64] and demonstrating "effective non-verbal communication with others." [65] This allows programs to measure their success by the number of certificates they hand out, rather than by the number of people who get jobs.

Cream-skimming--taking the most employable applicant, rather than the most needy--is pervasive. Consultant Gary Walker's study noted that in one area PIG paid for a local private job-training school that "reportedly turned down 25 eligibles for everyone accepted; in another, a bank teller program screened 118 JTPA eligibles to get 19 enrollees." [66] JTPA is largely training only very trainable people. Some locales are even actively recruiting trainees on college campuses.

The average wage for JTPA hirees is \$4.62 an hour--barely half the national average hourly wage of \$8.64 and not exactly a banner achievement, since most JTPA recruits have high school degrees. After adjustment for inflation, JTPA's average wage is no better than that received by CETA graduates--\$4.44 an hour in 1983. [67]

If the National Weather Service operated like JTPA, it would claim credit for the sun rising each morning. JTPA has done little or nothing for people that they could not have done for themselves, or have done through existing government education programs. The only place that JTPA has surely increased the net amount of job training is in rural and depressed areas, where there are few jobs. If job training would not have been offered in places without a federal subsidy, it is doubtful that the skill is really in demand.

If the college-trained and most capable recruits were left out of the average, the typical JTPA wage would probably be around \$4.00 an hour. Employers would have had to hire and possibly train people for those jobs regardless of JTPA.

JTPA-- at best --simply helps some low-income people get jobs in lieu of other low-income people getting the same job. One government training expert noted that JTPA serves "the best of the economically disadvantaged." [68] Since JTPA provides subsidies to employers who hire primarily the most able low-income people, the least skilled job seekers may be made worse off in the labor market by JTPA's activities.

Other Jobs Program

Other federal jobs programs have been equally ineffective. The Trade Adjustment Assistance program has consumed more than \$3 billion in taxpayer revenue since 1975--supposedly to help industrial workers who have lost their jobs because of imports start new careers. But according to an American Enterprise Institute study, "From mid-1975 to March 1983, only one of every 23 TAA recipients entered training, only one of 244 received a relocation allowance, and only one of 222 received a job search allowance." [69] Cato Institute economist James Dorn notes, "TAA has hampered adjustment by supporting anti-competitive union wage rates." [70] TAA usually is little more than generous compensation for pricing oneself out of a job at the bargaining table. The vast majority of TAA payments have gone to laid-off United Auto Workers and United Steelworkers members, and have implicitly underwritten these unions' demands for wages far above world-market levels.

The National Academy of Sciences study of youth employment programs observed that such programs isolate disadvantaged youth, thus possibly making it harder for them to fit into the real job market. According to a recent study by Brookings Institution scholar Gary Burtless, special federal treatment of disadvantaged jobseekers may actually make it more difficult for them to find work. Burtless examined the Targeted Jobs Tax Credit, which provides generous tax credits to employers for hiring "economically disadvantaged" job seekers. Burtless found that TJTC eligibles who told potential employers of their "dependent" status were far less likely to be hired than those who never mentioned that they were on federal aid and that the employer could get a tax credit for hiring them. The stigma attached to this program thus apparently far outweighs any good the program does. [71]

Conclusion

Many, if not most, of the participants in federal jobs and job-training programs would be better off today if the programs had never existed. Aside from wasting scores of billions of dollars, government manpower programs distorted people's lives and careers by making false promises, leading them to believe that a year or two in this or that program was the key to the future. People spent valuable time in positions that gave them nothing more than a paycheck or a certificate, while they could have been developing real skills in private jobs with a future.

As Sar Levitan, perhaps the leading expert on government job programs, admitted in 1973, training programs "affect the distribution rather than the degree of unemployment." [72] Bill Spring, a Carter administration domestic policy expert, declared, "We can't provide jobs through training. But we can try to equalize the weight of unemployment on various groups." [73] In a nutshell, federal training programs aim to help some workers take better jobs from other workers. For this we spent a hundred billion dollars?

The fallacy underlying all job training programs is that the private sector lacks the incentive to train people for jobs. This is like assuming that farmers don't have an incentive to buy seed, or that auto manufacturers lack incentive to seek out parts suppliers. Businessmen naturally prefer that all the factors of production--including labor--be readily available. But where there is a shortage of skills and a demand for services, there is an incentive to train.

Amazingly, the federal government has shown little or no interest in honestly evaluating the results of its jobs programs. Especially under JTPA, the Department of Labor has made ignorance an art form. DOL claims to have little or no information on the local JTPA or SYEP programs--not even annual reports or local newsletters. As one training expert who wished to remain anonymous observed, "DOL doesn't know what's going on--and they don't want to know what's going on. That way, they can't get blamed."

Federal job training programs are always run with a "social work" mentality--trying to create a pleasant experience for the participants, rather than to prepare them for the real world. But, Uncle Sam's "No stress, no strain" work environment is no favor for trainees.

The primary beneficiaries of federal jobs programs have been the legions of social workers, consultants, and "manpower experts" that have made a good living off these floundering for 25 years. In some cases, the interest of the government bureaucrats is directly opposed to that of the trainees they are supposed to serve. The federal government finances a nationwide Employment Service designed to refer jobseekers to jobs. The service is widely seen as incompetent; two local studies found that welfare recipients got significantly more jobs when the federal Employment Service referred them to private employment agencies.[74] But according to a recent GAO study, jobseekers are not referred to private agencies largely because government employees are afraid that they would eventually be displaced.[75] Low-income people thus stay unemployed simply to help ineffective bureaucrats keep their jobs.

As with so many government programs, federal training programs have aimed to produce impressive statistics rather than real achievements. Cream-skimming has always pervaded federal training programs--always trying to get the most qualified recruits who need the least help.

Federal job training programs will almost always be either unnecessary or worthless. Either the government will be training people for jobs that the private sector would have trained them for anyhow--or the government will be training for jobs that don't exist. Federal training programs have tended to place people in low-paying jobs, if trainees got jobs at all. So if the programs have any effect at all, it is simply to help some low-income people get jobs instead of other low-income people.

The surest way to create jobs would be to reduce unemployment compensation, food stamps, and other federal benefits for able-bodied non-workers. Other reforms that would help would be to abolish the minimum wage, lower taxes to stimulate economic growth, and reduce paralyzing regulation on local business creation

Bad training is worse than no training at all. The federal government has tried every imaginable manpower scheme in the last quarter century, and has failed dismally every time. The sooner government stops making false promises and giving people false hope, the sooner low-income people can begin learning real skills in the private sector.

FOOTNOTES

[1] In constant 1983 dollars. Gary Burtless, "Manpower Policies for the Disadvantaged: What Works?" Brookings Review (Fall 1984).

[2] The unidentified acronyms stand for, respectively, the Skills Training Improvement Program, Basic Essential Skills Training Program, Youth Incentive Entitlement Pilot Projects, Young Adult Conservation Corps, Senior Community Service Employment Program, and Help through Industry Retraining and Employment Program.

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[6] General Accounting Office, B-153449, May 3, 1965.

[7] General Accounting Office, B-153449, June 25, 1964.

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