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## HOW TO IMPROVE THE SENATE JOB TRAINING REFORM PLAN (S. 143)

### INTRODUCTION

The Senate soon will have an opportunity to vote on the Workforce Development Act, S. 143, introduced by Senator Nancy Kassebaum (R-KS). The main purpose of the bill is to consolidate federal job training and education programs into a single, unified state system funded by block grants. The bill is an improvement on current law and the CAREERS Act (H.R. 1617) recently passed by the House. Most important, it consolidates the expensive and ineffective Job Corps and Trade Adjustment Assistance programs. However, in order to ensure that taxpayer dollars are spent effectively, state accountability should be improved by including rigorous state control group evaluations of job training programs.<sup>1</sup>

After 30 years, thousands of local job training programs, and hundreds of billions of dollars spent, only a few dozen job training programs have been subject to rigorous evaluation, and the results have been dismal.<sup>2</sup> The few studies that have been conducted generally fail to show any significant long-term increase in hourly earnings related directly to job training. Historically, performance measures and benchmarks have been the more common, but unsatisfactory, means of determining whether these programs work. The findings from performance measure methods, particularly negative ones, are too easily manipulated and rationalized. Without a requirement for rigorous control group studies, American taxpayers will never know whether they are funding effective programs or just throwing good money after bad.

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- 1 The only effective way to evaluate job training programs is to conduct an experimental design study that randomly assigns individuals to a treatment group that can receive services from the program under study or to a control group that cannot and then evaluate the outcomes. See Orley Ashenfelter, "The Case for Evaluation Training Programs With Randomized Trials," *Economics of Education Review*, Vol. 6, No. 4 (1987).
  - 2 Mark Wilson, "Welfare Reform and Job Training Programs: What Congress Doesn't Know Will Cost Taxpayers Billions," Heritage Foundation *F.Y.I.* No. 61, August 16, 1995.

## WHAT'S RIGHT AND WRONG WITH S. 143

Although the Workforce Development Act is an improvement over current law and the House-passed CAREERS Act, two key problems must be addressed. The bill takes important steps toward fundamental reform of federal job training by:

- ✓ **Consolidating** over 80 existing education, training, and employment assistance programs into three block grants to the states. The three block grants are for workforce employment, workforce education, and flexible workforce activities.<sup>3</sup> This gives states the flexibility to design unified employment, education, and economic development programs that meet the needs of their workers.
- ✓ **Reducing** overall funding over 30 percent by repealing 83 of the 163 federal employment training programs scattered across 15 agencies.
- ✓ **Requiring** state performance measures that are consistent across all 50 states. The bill also includes incentives for states to exceed their performance measures and penalties if they do not.<sup>4</sup> This is a significant improvement in federal and state accountability.
- ✓ **Allowing** states to implement vouchers for workforce employment activities. This will minimize state and local bureaucracies and allow individuals to exercise customer choice.
- ✓ **Transferring** primary responsibility for the Job Corps program — the most expensive federal job training program — to the states and linking it to the workforce development system. The bill also requires a long-overdue national audit of the Jobs Corps and recommendations for closing the most ineffective centers.<sup>5</sup>
- ✓ **Consolidating** funding for Trade Adjustment Assistance in the state block grants. This will integrate funding for the payment of unemployment benefits, allowances, and training costs to workers affected by foreign trade imports into a state's comprehensive workforce development system.
- ✓ **Consolidating** vocational rehabilitation programs in the state workforce development block grant. This will allow states to integrate training and employment services for individuals with disabilities into their comprehensive workforce development systems. The bill also ensures that vocational rehabilitation representatives participate in the state's overall employment and training efforts.

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3 The flexible workforce activities block grant is a state flexible account that can be used to fund activities in the employment or education block grants. It also can fund economic development activities.

4 If states exceed their performance measures, they receive a funding bonus of up to \$15 million. If states do not meet their performance measures, their block grant funding can be cut up to 10 percent.

5 U.S. General Accounting Office, "Job Corps: High Costs and Mixed Results Raise Questions About Program's Effectiveness," GAO/HEHS-95-180, June 30, 1995.

However, two major problems remain that unnecessarily increase the cost of these programs and limit Congress's ability to determine whether they are spending taxpayers' money effectively:

- X States do not have to conduct control group evaluations.** Although state performance measures are an improvement over current law, they are an unsatisfactory way to determine whether job training programs work.
- X The mandated labor market information system is far too expensive.** The vast amount of information required to build a nationwide integrated labor market and occupational system to "enumerate, estimate, and project the supply and demand for labor at the substate, State, and national levels in a timely manner" is not available and will require hundreds of millions of dollars a year to develop.

## HOW TO IMPROVE THE WORKFORCE DEVELOPMENT ACT

Although S. 143 is a good first step in the right direction, two changes would strengthen the bill significantly. Specifically:

### ① Strengthen accountability with control group evaluations.

Each state should have at least one control group evaluation of its job training programs ongoing at any given time. Such scientific evaluation should be conducted by using experimental and control groups chosen by scientific random assignment and, at a minimum, should determine whether job training and job placement programs effectively raise the hourly wage rates of individuals receiving training through such programs. Each state should report annually on the status and results of its control group evaluations.

The addition of state control group evaluations would quickly build a body of evidence on the true effectiveness of job training programs. As a report from the Secretary of Labor points out, "there are many areas where little thorough and reliable evaluation evidence is available."<sup>6</sup> The few solid studies that have been conducted generally fail to show any significant increase in the hourly earnings of participants related directly to job training. If these programs are continued without rigorous evaluation, Congress cannot know whether it is wasting taxpayers' money. Control group evaluations will enable Congress and the states to identify programs that work.

### ② Scale back the labor market information system.

Initial labor market information system (LMI) activities should be restricted to conducting a feasibility study, developing LMI options, and estimating the cost of those options. Current LMI provisions in S. 143 immediately put the federal and state governments on an untested and expensive path that may not be feasible. Further, man-

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6 *What's Working (and what's not) A Summary of Research on the Economic Impacts of Employment and Training Programs*, U.S. Department of Labor, January 1995, p. 4.

dating states to create an LMI at the substate level for which no current data exist will be extremely expensive. Information for the labor market information system should be restricted initially to data readily available from the Census Bureau and other federal and state agencies.

## CONCLUSION

The Workforce Development Act of 1995 is an improvement on current law and the CAREERS Act (H.R. 1617) recently passed by the House. It consolidates the maze of federal job training and education programs, including the expensive and ineffective Job Corps and Trade Adjustment Assistance programs, into a single, unified state system funded by block grants. The bill is a good first step. However, two changes would strengthen it significantly. To ensure that taxpayer dollars are spent effectively, state accountability should be improved by including state control group evaluations of job training programs, and the expensive labor market information system should be scaled back to determine the feasibility and cost of a national, state, and substate system.

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