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***THE ROLE OF PUBLIC POLICY  
IN SKILLS DEVELOPMENT OF BLACK WORKERS  
IN THE 21<sup>ST</sup> CENTURY***

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## Abstract

This paper discusses the role of public policy in the skills development system of the U.S. It further examines the implications of that policy for the skill development and career progression of black workers. The paper describes the current “system” for skills development in the United States as a two-tiered system: The “first-chance” or conventional system allows individuals to proceed through an extensive public elementary, secondary, and postsecondary educational sector that is supplemented by private educational institutions and is followed by employer-provided job training and work experience. The “second-chance” system is designed for individuals who do not successfully traverse the first-chance system. The second-chance system includes public job training programs, public assistance, rehabilitation programs for offenders, and educational remediation. The public agency for labor market exchange, the Employment Service, has tended to play a significant role in facilitating employment in the second-chance system.

Paradoxically, despite the tremendous success of the U.S. economy, including the fact that it has the world’s leading level of worker productivity, there is a pervasive perception that the current system for skills development in the U.S. is failing. Lagging school achievement (particularly in urban areas), high unemployment rates for certain groups of the population, and employer concerns about the quality of entry level workers suggest that the current system may be neither efficient nor equitable.

The paper starts out by considering the rationale for public policy intervention in the skills development process. It then reviews public policy at the federal, state, and local levels that fosters skills development. At the federal level, the major policy emphasis currently is the consolidation of job training and labor market exchange programs through the Workforce Investment Act (WIA). State and local entities administer federal programs, but many states have also enacted supplemental programs in the area of skills development. After examining specific federal and state/local policy, the paper reviews recent policy demonstrations in the area of skills development. The review of the evaluative evidence leads to several general “best practice” principles about content, delivery mechanisms, and administrative characteristics. The last section of the paper reviews how well federal WIA programs are likely to fare against the best practices criteria.

The major thrusts in skills development policy have been accountability, market-driven choice, decentralization/devolution, emphasis on immediate work, private-sector leadership, and consolidation. The policy characteristics that are in disfavor seem to be eligibility set asides, process regulations, service delivery by administrative agencies, subsidized education and training, technical assistance, and research and development. African Americans, who reside disproportionately in urban areas and who participate in the second-chance system, will be affected by these changes in emphasis. Public policy has evolved from a top-down, centralized system with regulatory protections and emphasis on equal access to an open, decentralized system operated largely by state bureaucrats and governed by individuals at the local level who happen to take an interest and who happen to know the right individuals at the right time. Theoretical arguments can be made that the new system will be more efficient and more equitable and counterarguments can be offered that the system will result in outcomes that are highly varied across localities and racial groups.

## **INTRODUCTION**

The focus of this conference is the development of workforce skills, that is, assuring that incumbent and potential workers have the knowledge and skills required to meet the demands of jobs in an ever more complex, changing economy. There are many justifications for having public policy play a role in the development of workforce skills, including maintaining macroeconomic stability, ensuring competitiveness, capturing positive social externalities from education and training, overcoming persistent structural unemployment among certain population groups, and alleviating poverty. But in this paper, we want to focus on the role of public policy in ensuring equity; in ensuring that all individuals will have an equal opportunity to develop the skills and to learn the knowledge that are necessary for the jobs in which they interested and for which they are qualified. We suggest that there are major trends in social policy that have the potential to affect racial groups differently.

The current “system” for skills development in the United States is a combination of public and private education and training institutions. The “first-chance” or conventional system allows individuals to proceed through an extensive public elementary, secondary, and postsecondary educational sector that is supplemented by private educational institutions and is followed by employer-provided job training and work experience. Individuals invest time and effort in their schooling opportunities and gain general knowledge and skills that allow them to pursue jobs and careers. They then gain employment, through which they learn specific skills via job training and work experience. Of course, individuals’ career pathways are not usually linear; they stop and re-start their education and they change jobs and careers as personal interests and opportunities change.

The second-chance system is designed for individuals who do not successfully traverse the first-chance system. The second-chance system is almost exclusively funded and administered by public agencies, although religious and other nonprofit agencies are also active in the system. Public job training programs, public assistance, rehabilitation programs for offenders, and educational remediation are important conduits of skill and talent development for these individuals. The public agency for labor market exchange, that is, the Employment Service, has also tended to play a significant role in facilitating employment in the second-chance system.

Given the tremendous success of the U.S. economy, including the fact that it has the world's leading level of worker productivity, it might be assumed that the skills development system in this country is a success. However, there is a pervasive perception that the current system for skills development in the U.S. is failing. Lagging school achievement (particularly in urban areas), high unemployment rates for certain groups of the population, and employer concerns about the quality of entry-level workers suggest that our current system may be neither efficient nor equitable. One role of public policy is to consider this paradox and attempt to improve the process of skills development, where warranted, while sustaining world-class worker productivity and economic growth.

In the next section of the paper, we delve more deeply into the justification for policy intervention in the processes of skill development. We then discuss governmental policy initiatives at the federal and state/local levels, as well as ongoing or recent policy experimentation. We summarize what characteristics of education and training opportunities seem to work, and we draw conclusions and implications about the potential effectiveness of the 1998 Workforce Investment Act (WIA).

## **WHY POLICY INTERVENTION IN THE SKILLS DEVELOPMENT PROCESS?**

In the first-chance system, the role of public policy has historically been passive: primarily to finance the provision of elementary and secondary education and to subsidize postsecondary education. These social investments are justified economically on the grounds of spillover benefits. Society benefits in numerous ways from more educated individuals (Haveman and Wolfe 1984). Public intervention is generally absent from the second part of the first-chance system, i.e., the provision of on-the-job training and work experience. Employers and workers invest in job training, and they reap productivity and wage benefits from those investments.

Over the last few decades, public policy has intervened more actively in the regulation of educational processes because of concerns about equity of outcomes and equity of access. Individuals with handicapping conditions and economically disadvantaged individuals, for example, were observed to fare more poorly, on average, in elementary and secondary education, which has led to substantial programs in special education and for at-risk students. Furthermore, as the cost of postsecondary education has increased, public policy has actively provided funding in the form of grants and loans because capital markets are not set up to make loanable funds available for purposes of investment in human capital.

More recently, regulation of programs in education as well as government-sponsored programs, have arisen out of quality concerns. Students have been exiting from the educational sector without achieving satisfactory levels of academic or general employability skills (U.S. Department of Labor 1991). Major ameliorative federal legislation includes the Perkins Act, the School to Work Opportunities Act, and Goals 2000. The majority of states have implemented curriculum standards and high-stakes testing programs. One of many alleged causes of the purported

decline in educational outcomes is an informational deficiency. Educational administrators and teacher educators have not maintained an adequate understanding of the knowledge and skills requirements of a rapidly changing, technologically complex economy, and programs have therefore not been preparing youth adequately for “modern” jobs and careers. Evidence suggests that the problem is most severe in urban areas.

Black workers have a vital stake in the status of the education system, and in particular, urban schools. The concern is that these schools are not delivering adequate basic skills. The skills development of workers hinges crucially on their basic skills. Acquisition of more technical job skills as well as student achievement in secondary and postsecondary settings can only occur after competency in basic skills has been achieved. Furthermore, employers report that basic skills themselves are important determinants of worker productivity. African Americans disproportionately reside in urban areas, so deficiencies in urban education affect them most. About 55 percent of African Americans reside in the central cities portions of urban areas, compared with 22 percent of whites.

As noted above, the second-chance system for skills development is virtually entirely an enterprise of public policy. The public sector assumes the burden for two reasons. The individuals who engage the second-chance system did not have successful outcomes from the first-chance system. Either they had learning obstacles that were not overcome, or the first-chance system was inadequate, or both. For individuals who do engage the second-chance system, the costs of overcoming the learning obstacles or the inadequacies of the school system are large, and the expected returns are modest because of the risk of not being able to overcome the obstacles. Public job training programs, education and training programs for the rehabilitation of incarcerated

individuals, and the employment and training components of public assistance programs have arisen that use public funds to invest in these individuals and to cover the risk of nonsuccess.

Public-sector provision of skills training through the second-chance system does not guarantee success in the labor market. Even if an individual receives skills training, getting placed in good jobs or progressing in a career may be impeded if the individual cannot signal his/her skills. Economists refer to the problem as an informational deficiency. Once an individual has entered the labor force and begun a gainful career, upward progression or career changes usually rely on job or occupational changes, but oftentimes, information flows are constrained.<sup>1</sup> In these cases, there may be a need to develop public policies to certify skill competencies or otherwise facilitate more effectively the career, (or more generally, the skill) progression of participants in the second-chance system.

Several studies indicate that employers have poor information about the productivity of low-skilled job seekers. Interviews with employers of entry-level high school graduates show that these employers do not trust the information on job seekers that can be obtained from schools, teachers, and previous employers (Miller and Rosenbaum 1996). Most employers do not use tests to screen job applicants, both due to concern about the validity of tests in predicting job performance and concern that the tests might violate equal opportunity laws. Instead, many employers rely on their instincts from interviews in making hiring decisions, but these instincts often prove misleading in predicting job performance. According to one employer,

“You know, it is more of a feel that you have [from the interview]. You never really know ‘til you get somebody in. I’ve personally been duped both ways.” (Miller and Rosenbaum, p. 16).

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<sup>1</sup>The information deficiency discussed here, of course, occurs in the first-chance system, but we believe that it is more prevalent and more of an impetus for public intervention in the second-chance system.

Employer information is particularly deficient for relatively low-skilled job seekers. In part, this is because the productivity of such workers depends on “soft skills,” i.e., how dependable the job seekers are and how well they get along with other people. These skills are not necessarily acquired in school, are not assessed, and are difficult for the employer to evaluate except on the job. For example, one employer in Miller and Rosenbaum’s study, when asked why he did not use tests to screen job applicants, said that, “We’re looking for someone with people skills that are looking to listen to instructions, the ability to want to learn, this type of thing.” (Miller and Rosenbaum, p. 10). Such skills are not easily tested.

Poor employer information about job seekers encourages employers to make hiring decisions using imperfect signals of productivity, such as the job seekers’ race or welfare status. Using these signals unfairly discriminates against an entire group of job seekers. Interviews with Chicago employers provide strong evidence that racial discrimination is prevalent in labor markets, particularly low-wage labor markets (Kirschenman and Neckerman 1991). Discrimination is rationalized by many employers as a way of screening out the less productive. According to one Chicago manufacturer interviewed,

“I would in all honesty probably say there is some [discrimination against blacks] among most employers. I think one of the reasons, in all honesty, is because we’ve had bad experience in that sector, and believe me, I’ve tried. And as I say, if I find—whether he’s black or white, if he’s good and, you know, we’ll hire him. We are not shutting out any black specifically. But I will say that our experience factor has been bad. We’ve had more bad black employees over the years than we’ve had good.” (Kirschenman and Neckerman 1991, p. 212).

Employers also discriminate based on social class, neighborhood of residence, and gender.

Information about job seekers may be improved by hiring based on referrals from current employees. For jobs that require less than a college degree, over a quarter of those hired are hired

through referrals from current employees (Holzer 1996, p. 52).<sup>2</sup> However, this hiring practice may disadvantage some population groups, namely those who have lower than average employment rates.

Poor information by job seekers and employers about prospective job matches has important implications for optimal skill development of the workforce. Programs in the second-chance system must design their training interventions and post-placement follow-up to minimize job turnover and avoid stigmatizing program participants. Programs that can produce information that leads to better job matches will increase the productivity of both employers and workers, and such programs will be in demand from both employers and job seekers. African Americans, as a group, have an important stake in the success of second-chance systems at delivering skills development, because when employers lack information about the skills and productivity of job seekers, they may use race as a signal.

In summary, the current system of skills development comprises first-chance and second-chance systems. The former includes an educational system that is primarily financed by public policy and a system of privately funded job training. Public provision and subsidization of education is justified by the spillover benefits of an educated citizenry and workforce and because of imperfections in the capital market that prohibit individuals from being able to invest privately in their own human capital. Public policy has become more and more active in the production of education in the first-chance system in response to concerns about equity of access and outcomes, as well as in response to concerns about the quality of the student academic and employability outcomes, which may be traced to poor information. The second-chance system is almost exclusively a public enterprise that serves individuals who do not succeed in the first-chance system because of severe personal, family,

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<sup>2</sup>More evidence of the importance of referrals is in Granovetter (1994).

social, or geographic obstacles. The reasons for public intervention are again to garner positive social externalities and to overcome imperfections in the capital market that constrain access to training. We have provided very general theoretical justifications for public policy intervention in the processes of skills development. The next section will discuss specific initiatives at the federal and state/local levels.

## **FEDERAL AND STATE/LOCAL POLICY INITIATIVES IN SKILLS DEVELOPMENT**

Federal involvement in the first-chance system of skills development has been very limited over the years. Public education, particularly in the K-12 system, is viewed as a state responsibility, and on-the-job training is generally seen as benefitting employers and workers and thus should be privately funded. The major initiatives of the federal government in the first-chance system that are specifically targeted on skills development include federal support of vocational/technical education, school-to-work programs, and military training.

As workers consider their labor market prospects for the 21<sup>st</sup> century and as they make decisions about how best to acquire workforce skills, they would do well to pay attention to the impending shortage of workers in what has been labeled the “sub-baccalaureate” labor market (Grubb 1998). The Department of Labor projects significant growth in occupations such as technicians, programmers, medical aides, and craftspersons. The three federal initiatives in the first-chance system are particularly efficacious in preparing individuals for such occupations. Many evaluators and educational researchers have pointed out that a significant barrier to successful career development of youth has been the aspirations of parents and students for four-year college degrees, even when the students may have greater aptitude and interest in technician-type occupations.

Advocates for African Americans or other groups should make sure that members of these groups have reliable and accurate information about the potential payoff to sub-baccalaureate occupations and access to high quality school-to-work or Tech Prep career preparation programs.

The federal role in the second-chance system is more active. A number of federal programs are aimed at skills development of at-risk individuals. Here, the federal government funds and administers 1) job training programs for a number of different populations, 2) the public labor market exchange, and, 3) most recently, public assistance programs for the purpose of developing skills in individuals that may be used in the labor market.

### **Job training programs**

The history of public job training policy in the U.S. over the last few decades is replete with change. One of the most significant changes is its evolution from centralization to decentralization. The Manpower Development Training Act (MDTA) of 1962 was the first major federal job training program. Administered centrally by the U.S. Department of Labor, it was intended to provide training to workers who had been displaced by automation, to poorly educated unskilled youth, and to adults who had been displaced and had poor job prospects without additional training. Early in its implementation, MDTA shifted its emphasis away from workers displaced by automation toward severely disadvantaged workers. The reason for the shift was twofold. First, U.S. Department of Labor analysts “discovered” that the structural unemployment of undereducated, unskilled individuals was far more pervasive than the frictional unemployment of skilled workers who had been displaced by technology. Second, employers and trade unions objected to the federal government providing training to skilled workers, which they felt was their responsibility. Most of the training funded by

MDTA was provided by vocational education institutions and the Employment Service. In looking at the historical evidence, it is clear that minorities and women made substantial labor market gains in the 1960s. Ginzberg (1996) suggests that some of the gains could be attributed to MDTA; however it is also the case that the latter half of the 1960s saw an expansionary economy and tight labor market, and, of course, civil rights legislation was passed in 1964.

The MDTA lasted about 10 years and was succeeded by the Comprehensive Employment Training Act (CETA) of 1973. CETA decentralized the administration of the public training program and provided funding directly to local governing bodies. In addition, CETA added a public service employment component to training. With local discretion in the selection of training providers, CETA training tended to be provided by vocational education and community-based organizations. The labor market gains by minorities were retrenched in the 1970s, largely because of a major recession in the early 70s followed by a stagflationary economy in the late 1970s. CETA was politically undone by the media attention focused on bureaucratic, fraudulent, or politically motivated patronage practices in a few areas. First, the public service employment title was discontinued, and then the training titles followed. Ginzberg (1996) opined that the media attention was not groundless but was overblown; however, CETA program defenders had relatively few success stories. The successes that it did achieve were mainly concentrated among lengthy training programs in particular sectors (autos and health care, for example).

In 1983, the Job Training Partnership Act (JTPA) was passed and implemented. JTPA has been the major framework of federal job training policy until this year, when it is scheduled to be replaced by the Workforce Investment Act (WIA). JTPA attempted to overcome public mistrust by having no public service employment, by having no training stipends, and by placing control in the

hands of private industry councils (PICs) that were headed and numerically dominated by individuals from the private sector. Its major training programs were targeted on disadvantaged youth, disadvantaged adults, and displaced workers.

In 1998, Congress passed the Workforce Investment Act (WIA), which is a major reform of the federal job training role. In effect, WIA combines the Employment Service with the second-chance job training (i.e., JTPA) system and places both under the direction of local private-sector led boards. Many of the operational details of WIA are still being developed as states put together their implementation plans, but basically WIA will provide core labor market exchange services to all individuals and will provide education and training services to individuals who are not employable. Core services will be highly automated; individuals will enter their background and experience onto a database that can be searched by employers, and employers will enter job listings onto a national database such as America's Job Bank. If an individual is deemed not employable, then the local WIA agency will work with that individual to direct them into appropriate education and training opportunities. The legislation requires local workforce boards to use a system of vouchers (Individual Training Accounts) to finance the education and training, however. With a voucher system in place, it is unclear to what extent program administrators will be able to "direct" individuals into appropriate education and training opportunities through incentives, information, or sanctions.

The WIA has engendered considerable interest from the policy community. It is a non-incremental policy change that many believe has the potential to improve both the Employment Service and job training functions of the federal government. However, as discussed below, we believe that in order to achieve that potential, Congress needs to fund WIA at a significantly greater level. Nevertheless, in theory, local private-sector-led workforce boards should better allow local

programs to meet local labor market demands. Furthermore, if employers and job seekers do increase their usage and reliance on the public labor market exchange and job training system, then informal mechanisms with their informational imperfections (and discrimination) may fade in importance. It is important for African Americans and others who advocate for minority workers to get involved with their local workforce boards or, at least, monitor their actions.

### **Public assistance programs**

Virtually since their inception, public assistance programs in this country have struggled with the issue of minimizing the amount of assistance that goes to individuals who are capable of working. The Aid to Families with Dependent Children (AFDC) program has had the Work Incentive (WIN) program and has used implicit tax rates in its benefit formulae to encourage recipients to work. The Food Stamps program had its Food Stamps Employment and Training (FSET) program. In the 1980s, states were encouraged to try innovative methods to increase the share of public assistance recipients who successfully entered the labor market. In 1988, Congress passed the Job Opportunity and Basic Skills (JOBS) legislation, based on some of the innovations that states or localities had tried during the early 1980s (Gueron and Pauly 1991). JOBS set strict guidelines for clients in terms of employment or training and had financial disincentives if states did not meet those guidelines.

Congress became impatient with the rate of progress or impact of the JOBS program, and it passed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996. This Act abolished AFDC and replaced it with Temporary Assistance to Needy Families (TANF), which is cash assistance that states may (no longer must) provide to economically distressed individuals. In addition, states have been given substantial increases in funds to use for child care and

health insurance (Medicaid) purposes. However, time limits have been established for how long individuals may receive cash benefits during their lifetime (five years), and states are reasonably unencumbered in their ability to enact rules or regulations that provide incentives for recipients to become employed or sanctions for not pursuing employment-related activities. Dramatic caseload reductions have occurred since this act was passed in most states, although it is unclear the extent to which robust national economic performance has been responsible. Furthermore, there is little evidence about the extent of skills development that is occurring for individuals who have become employed.

## **STATE/LOCAL POLICIES FOR SKILLS DEVELOPMENT**

The seats of government at the state and local level have become the loci of importance in the arena of skills development policy. In the first-chance system, education has historically been a matter of local control, and in recent years, the adage that “local individuals know best how to solve local problems” has overtaken the second-chance system. Many states have risen to the occasion and have instituted innovative programs and policies aimed at skills development. It is beyond the scope of this paper to review all of the states’ and localities’ initiatives, so we will discuss the major trends and will buttress that discussion with examples with which we are familiar.

### **Education**

Two trends that are influencing greatly the delivery of instruction in K-12 education are the setting of curriculum standards at the state level and the institution of market-based approaches to educational reform. Currently, 49 states (all but Iowa) have established curriculum standards for

public elementary and secondary systems. These standards are generally phrased as statements about what students need to know about a subject by when in the curriculum. They attest to the extent to which education now focuses on student outcomes rather than inputs. Most states have instituted state level standardized tests to assess student learning and progress toward the states' standards. Many states (perhaps led by Texas and New York) have adopted a high-stakes approach, in which students are required to pass the state tests in order to receive a diploma (or to pass into the next grade).

Market-based approaches to educational reform include charter schools and voucher/tax credits. Thirty-seven states have charter school legislation in which individuals receive public support for establishing schools that offer alternatives to the traditional public schools. The underlying philosophy is that the charter schools will, to some extent, be laboratories to test innovative curriculum approaches and, at the same time, will cause public schools to improve as a result of the competition. With voucher/tax credit programs, states provide vouchers to eligible individuals that can be used for tuition payment at private schools or they provide state income tax credits to individuals for tuition or other schooling expenses. A voucher program has been operating in Milwaukee for a number of years and has received a lot of research attention (Witte 1997; Greene, Peterson, and Du 1997; Rouse 1998), with the results to date suggesting that student achievement of those using vouchers to attend private schools is slightly (at best) higher, but that parental satisfaction with the voucher program is substantial.

Individuals concerned about the future labor market prospects of African American youth should monitor closely the outcomes of both the standards movement and the charter school/vouchers policies. First, considerable evidence shows that African Americans lag behind whites in standardized

testing at school-entry ages and that the gap does not materially close by the time they graduate from high school (Jencks and Phillips 1998). The authors in the Jencks and Phillips volume offer a number of hypotheses about why the formal education system does not close the gap, but we are particularly convinced by the evidence and logic of the arguments that holding lower expectations of lower-achieving students can be precarious and perpetuate gaps. Empirical data suggest that teachers may hold lower expectations of their African American students and therefore not push them to reach the same achievement levels as nonminorities. Tough, fair standards imposed by states, backed up by assessment programs, may result in more equal expectations, or even higher expectations of lower-achieving students. On the other hand, if the gap in test scores of minorities is caused by testing bias (Jencks 1998), then high-stakes testing may differentially penalize African Americans.

To the extent that the promise of charter schools is realized (that is, as innovative alternatives to public schools), then African Americans may be favorably affected, because urban areas are most likely to have the scale and enrollment to support them. On the other hand, if charter schools turn out to be failures or harmful, then African Americans will be disproportionately hurt (Horn and Miron 1999; UCLA 1999).

Charter schools and vouchers are holistic reforms of education. A less expansive reform, but one that has direct implications for the skills development of students, is the renaissance in career and technical education. Most states have explicitly eliminated the general track in high school. Furthermore, the hands-on, project-based pedagogy of vocational education has been shown to match the learning styles of the majority of students. Curriculum reform has moved toward the integration of career development topics into academic subjects and academic skills into career and technical education. Furthermore, the sub-baccalaureate labor market needs (Grubb 1998) have become more

and more of a concern of employers, who are actively collaborating in the career and technical education system. Employer involvement in urban areas has been slow to develop, however, which may adversely effect black workers, who disproportionately reside in urban areas.

### **Training in the second-chance system**

States and local government agencies typically administer the second-chance programs for the federal government, and their role is mostly concerned with management and administrative efficiency. This role should not be under emphasized. (Bardach 1993). Some states have substantial supplemental second-chance programs. For example, California operates the Employment Training Panel (ETP) program, which is funded by a supplemental unemployment insurance tax on employers. All together, 10 states fund “customized training” programs through supplemental unemployment insurance assessments. The California program supports training that is targeted on retaining workers or employing workers who have been displaced.

While the thrust of welfare reform under PRWORA is immediate work assignments, Florida has implemented a program of modest size (in terms of enrollment) to promote education and training of welfare recipients at the state’s community colleges or technical institutes (Roberts and Padden 1998). Several aspects of Florida’s implementation, called the Performance Based Incentive Funding (PBIF) Program, merit interest. It is targeted on occupations that have been identified as growing and in demand in Florida. Furthermore, the program offers the training institutions financial incentives for redirecting curriculum to meet the needs of the low-income students, for placing recipients into a targeted occupation, and for having clients complete a program or degree.

Finally, state and local governments engage in economic development activities that have substantial implications for skills development. Economic development assistance to firms often takes the form of customized training subsidies (Bartik 1991; NGA 1999). The National Governors Association estimates that states will spend over \$600 million in 1999 on employer-focused job training programs. The NGA report, based on a recent survey of states, suggests that customized training has experienced specific trends. These include the following attributes:

- targeting on existing firms and workers
- providing generic skills that are transferable to other employers
- targeting on larger manufacturing firms
- involving multiple firms
- having relatively weak links to federal job training programs and state adult education programs

These attributes suggest that states are attempting to minimize the extent to which they are subsidizing training that benefits solely the employer who receives the subsidy. Targeting on existing firms and workers implies that retention of economic activity to stem potential declines is a major goal of customized training. Funding training in generic skill areas promotes the transferability and thus potential spillover benefits to other employers. Targeting on manufacturing firms comes from an export-based strategy of regional economic growth that stimulates the entire region.

Customized training is perhaps the mechanism in the arsenal of state and local economic development tools that is most explicitly aimed at skills development. Its goal, as well as the goals of the other mechanisms, is to promote the economic growth of a region. Bartik (1991) argued that the impacts of faster economic growth in a locality are generally progressive. Furthermore, the effects disproportionately favor blacks and less-educated workers.

## **SKILLS DEVELOPMENT POLICY DEMONSTRATIONS AND EXPERIMENTS**

Researchers and evaluators generally decry the reduced investment in policy experiments that seems to have occurred in the U.S. over the past two decades. However, there have still been a number of interesting and innovative “experiments” or demonstrations of policies or practices aimed at skills development, from which valuable lessons have been learned.

Closely directed toward skills development has been a major experimental initiative in assessing the efficacy of career academies. MDRC has established and monitored the performance and outcomes of ten career academies across the country through a random assignment experiment. Kemple, Poglinco, and Snipes (1999) reported that career academies are resulting in more and higher-quality career development experiences for those students who attend the academies throughout high school—only about half of those who enroll in the academies have lasted until 12<sup>th</sup> grade—and particularly in the highly structured academies.

The Quantum Opportunity Program has operated in four urban areas to retain at-risk youth in high school. This program relies on peer support and a “tough love” mentor/case manager on site in high schools to advocate for the programs’ participants. Evaluative evidence has shown quite favorable impacts on high school completion and decreased teen pregnancy.

The career academy experiment and the Quantum Opportunity Program are testing interventions that are housed in secondary schools (in the first-chance system). A number of experiments and demonstrations have attempted to improve the skills of disadvantaged adults (i.e., through the second-chance system). Much publicity has recently come from an approach that is identified as “sectoral.” In this approach, second-chance agencies and economic development policymakers in an area target an industrial sector for employment and training opportunities. Then,

in partnership with employers in that sector, the programs direct job seekers into jobs and training that are in that sector or its supply chain.

Among training interventions, the Center for Employment Training (CET), founded in San Jose, California, has perhaps the best record of success.<sup>3</sup> In the JobStart Demonstration, CET produced some of the highest earnings gains ever, over \$8,000 (1998 \$) during the second and third years after training. CET's original mission was to address the employment problems of displaced Chicano farmworkers. From its inception, CET received strong support from Silicon Valley employers, and it was helped considerably by the fast growth and labor shortages of these firms. In the 1990s, the U.S. Department of Labor sponsored a large-scale replication of the CET program in many other cities across the nation.

CET's training model includes the following features:

- Strong connections with specific industries in the design and implementation of the program, in order to determine occupations with entry-level jobs that have good career prospects and expanding local demand. Instructors have experience in the industry and occupation for which they provide training. Job developers not only find jobs for graduates but also develop long-term relationships with local firms.
- The training provided is short-term but intense. Training on average lasts 30 weeks, 5 days a week, 8 hours a day.
- CET has an open-door policy. There is no screening of participants.
- Training is open entry and open exit. Individuals start training any time there is an opening and stop training when they have demonstrated competency in the occupation.
- Training is organized to feel like a workplace. Trainees punch in, are expected to be on time, and take breaks at specific times. Instructors deal with attendance and other problems as if the training period were a real job.

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<sup>3</sup>This description is largely based on Melendez (1996).

- Training is “integrated” and “contextual.” Rather than basic literacy and math training first, followed by skills training, trainees start training for a specific occupation from day one, with basic literacy skills taught as needed. Individualized training plans are developed for each trainee.
- Instructors seek to address social adjustment as well as skills needs of the trainees, providing counseling and mentoring as needed.

Project Quest, in San Antonio, is also a highly promising training program.<sup>4</sup> Although it has not been subject to an evaluation using random assignment, evidence suggests it is highly successful. Before and after comparisons of Quest trainees suggest annual earnings gains over \$4,000 (1995\$).<sup>5</sup> Case studies of individual trainees show specific actions taken by Quest counselors to help trainees over serious barriers to employment. Interviews with community college personnel and employers give high ratings to Quest’s efforts to both provide more support to trainees and make training more relevant to employers’ needs.

Project Quest began operation in 1993, organized by two community-based organizations affiliated with the Industrial Area Foundations (an organization originally set up by the famed Chicago-based community organizer Saul Alinsky). The impetus for Project Quest came from Levi-Strauss’s 1990 announcement of a closing of a 1000-worker plant in San Antonio.

Project Quest’s important features include:

- Targeted occupations identified in consultation with area employers to forecast future employment needs. Training curricula are customized for specific occupations to better meet the skills employers desire for those occupations.
- In some cases, Quest has led to newly defined occupations and restructured wages. For example, Quest conversations with employers led to a training program for banks

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<sup>4</sup>The main source for this description is Lautsch and Osterman (1998).

<sup>5</sup>Lautsch and Osterman (1998) explained this calculation as the increased probability of working (24.5 percent) times the average weekly hours in post-Quest job (39.3 hours) times the average wage in post-Quest jobs (\$8.41) times 50 weeks per year. The pre-Quest average annual earnings (for those employed) were \$9,700 (1995\$) assuming 50 weeks of employment.

in a new occupation entitled “financial customer services.” Quest conversations with hospitals led to enhancements of the training for health unit clerks and some wage increases for this position.

- Quest training is provided by local community colleges. However, Quest intervention led the community colleges to extensively redesign the training to better fit what employers wanted.
- At an average of 17 months, Quest training is fairly long-term compared with most government training programs for low-income persons.
- The community organizations running Quest recruit the participants. Participants must have a high school diploma or GED and minimum math and reading scores.
- Quest provides a modest stipend for participants during training. The stipend allows trainees to support themselves during training with only part-time work.
- Quest provides extensive support mechanisms for trainees both during and post-training. Quest counselors tutor trainees, help in dealing with teachers and employers, help in pulling together financial support during training, provide personal advice and mentoring, and lead mandatory weekly peer group sessions.

A final demonstration project of interest is the Career Management Account (CMA) demonstration. In anticipation of the WIA, the U.S. Department of Labor sponsored a multisite project to learn how well a voucher-like approach would work for directing job seekers to education and training opportunities. The CMA Demonstration operated in 13 sites across the country to deliver voucher-style, customer-oriented service to dislocated workers eligible for JTPA training through title III (EDWAA). The results of an evaluation of this demonstration suggested that it had positive results on employment outcomes, although the results were not strong statistically. Many process recommendations were made by the evaluators, which should provide valuable insights as the local workforce boards across the country begin implementation of WIA.

## **WHAT WORKS?**

Research and analyses of skill development policies and programs have alluded to certain characteristics that seem to correlate with effectiveness. These characteristics can be categorized into content, training method, and program administration. We discuss each of these in turn.

### **Content**

The most important factors concerning the content of skills development opportunities are ensuring that the training is aimed toward occupations that are in demand in the local labor market and that the training delivers basic academic skills and “soft” employability skills, as appropriate. It is important for training administrators to have mechanisms in place to determine occupations/skills in demand in their locality. This may be accomplished through collaboration with employers, who can report skill deficiencies that they encounter in new hires and who should be aware of business trends that may cause changes in occupational demands. In addition, training agencies can rely on labor market information systems such as O\*Net or the existing NOICC/SOICC system administered by state departments of employment.

Skills can be broadly classified into specific skills, basic academic skills, and “soft” employability skills. Employers have come to recognize the value of the latter two types of skills—many employers believe they’re more important than specific technical skills—and thus it is important to make sure that education and training opportunities teach or reenforce them. For one thing, learning technical skills often requires a sound foundation in mathematics or technology. Second, the processes of teaching and learning obviously require communication and personal interaction. Third, the employability skills and basic academic skills are productive in their own right.

Workers are often teamed, and so communication and team skills are vital. Interaction with customers requires sociability and communication. Many other examples could be listed. As described above, the CET program successfully integrated the basic and “soft” employability skills with more technical skills. This pedagogy is probably successful because it contextualizes the academic skill training within the technical skills training and because it doesn’t require trainees to wait to get their technical training. Oftentimes, in the second-chance system in particular, trainees have extremely high discount rates, and they get impatient with the linear, school model that builds sequentially.

### **Training method**

It appears as though some attributes of the training delivery are more successful than others. In particular, many youth development programs emphasize the importance of a caring, adult mentor who develops a close relationship with, and who has high expectations of, the youth. The Quantum Opportunities Program uses this model with apparent high levels of success. Another successful characteristic of training programs seems to be flexibility in starting and stopping times. Open entry/open exit programs allow trainees to enter a program when they are interested in it and motivated to succeed, as opposed to making clients wait until the next semester or quarter, when a course may start.

Adequate support mechanisms for trainees are also important in the delivery of programs (Hollenbeck and Timmeney 1996). Resources will obviously limit what can be accomplished, but the spectrum of possible support mechanisms that facilitate training is wide. If trainees are parents, then child care may be an important issue. If the training opportunity involves work sites or training sites

that are distant, then transportation may be an issue. If the training is conducted by a public agency for individuals before they are employed or while they are not employed, then there may be questions of liability or other worker protection issues such as safety, discrimination, or harassment. It is incumbent upon training agencies to ensure that these issues and their implications are clearly understood by trainees and work sites. Vocational guidance is another important element of training. Trainees need to have credible information about the skill and training requirements of occupations, as well as about the career payoffs that can be expected. Note that Lautsch and Osterman (1998) reported the following about Project Quest:

The counselors are credited . . . with helping Quest participants stick with and complete the program, and succeed in staying on the job with employers.

### **Program administration**

The final training program characteristic for which there is evidence of successful practices is in the area of administrative practices. First, there seems to be fairly consistent evidence that effective training requires substantial resources. In other words, there is no free lunch. Among second-chance programs for youth, most skills development initiatives have had lackluster (or no) positive outcomes, whereas Supported Work (Hollister, Kemper, and Maynard 1984) and Job Corps consistently have been shown to have positive outcomes. Yet these two programs are intensive and thus are quite expensive on a per-participant basis. Among adult programs, CET has garnered considerable acclaim for its success, but it too is relatively costly relative to other programs. Furthermore, the training in Project Quest lasts 17 months. In short, we believe that the evidence is reasonably consistent with the axiom that “you get what you pay for.”

A second administrative characteristic that is correlated with success is the vision and leadership of an individual program champion. California's GAIN implementation in Riverside succeeded largely because of the leadership that was exhibited. Similarly, the success of other programs has often been traced to the individual program administrators.

Accountability is also key. Many social programs have adopted the principles and practices that are used in industry, particularly manufacturing, in order to achieve continuous improvement. Performance standards are being used across a wide set of programs to ensure that the programs are accountable to taxpayers or other funders. Performance standards must be set for important, measurable outcomes or they may be counterproductive. Nevertheless, it seems quite apparent that program administrators are responsive to incentives that are tied to performance standards.

In short, if policymakers want to support an effective system for skills development, they should make sure that it contains the following characteristics:

- The system needs to offer training/educational opportunities that engender skills that are or will be in demand within the labor market area.
- The training/educational opportunities should not focus solely on specific technical skills to the exclusion of basic academic skills and employability skills.
- Training and education should integrate basic skills, employability skills, and technical skills and should deliver curriculum that is contextualized to the learners.
- Adequate support mechanisms must be available to allow individuals to benefit fully from the skills development system.
- For training and educational opportunities that are targeted on youth, there needs to be caring, trained adult mentors.
- The system should be adequately funded; programs that serve a few participants intensively are likely to have greater efficacy than programs that invest meagerly for an extensive number of individuals.

- The system relies on visionary leaders at the local level who have clear ideas of the mission and who can motivate staff and participants.
- The system should use performance standards for assessment and diagnostic purposes to provide accountability.

## **WIA'S LIKELIHOOD OF SUCCESS**

The WIA is the latest public policy innovation that attempts to direct skills development in this country. If we have identified the key elements of success for public policy in skills development, then we should be able to predict the influence of WIA. For some of these elements, WIA seems to be right on target, but for others, it seems to be deficient and therefore unlikely to succeed.

### **Will the skills that are developed be in demand within the local labor market?**

One of the prime operating principles of the WIA is control by local workforce boards that are led by the private sector. This suggests that the mechanism will be in place to identify skills that are in demand. Furthermore, the workforce boards and service providers will have access to O\*NET and America's Job Bank, which will provide considerable information on skills and labor market demands. On the other hand, WIA operates on a system of vouchers (i.e., Individual Training Accounts) that will presumably give clients considerable latitude in their choice of education and training. Local administrators may have valid data on skills in demand and may have identified education and training opportunities in those areas, but unless appropriate mechanisms are set up to direct clients into those opportunities, the clients may opt for training that is not in demand.

**Will the education and training opportunities under WIA integrate specific skill training, academic skills, and employability skills?**

The local workforce board will identify the programs that will be eligible for training referrals. Thus it will have the opportunity to use skill integration as a criterion in certifying institutions. Of course, this will require knowledgeable individuals to do the training certification process and may be open to influence by local politics if some local institutions are not certified.

**Will WIA allow for adequate support mechanisms?**

WIA is based on immediate work activity as its highest priority. Skills development through education and training will be available to only an extremely limited number of individuals. The “one-stop” systems that are being developed to implement WIA will provide core services to all individuals who encounter the system. Core services will involve minimal support. Individuals will have access to job listings, presumably electronic as well as hard copy, that may be posted for local opportunities, and they will have the opportunity to submit a resume electronically. Individuals who do not secure employment after core services may be eligible for employment services and intensive services to the extent that the local workforce board has resources. Employment services will likely involve job search assistance and counseling. If individuals still do not become employed after receiving employment services (which are among the support mechanisms described), then they may become eligible for intensive services, which would include receiving a voucher to be used for (employment-related) education or training. Thus, employment services constitute some level of support to job seekers, but under the designs that have been put forward, relatively few individuals will receive these services because of the meager funding that is being proposed.

On the other hand, with local control and with local business leaders and representatives from community-based organizations on the workforce boards, collaborative arrangements may spring up that facilitate referrals to other agencies and that will provide for adequate support mechanisms. Furthermore, welfare reform under PRWORA has significantly increased child care assistance and has made Medicaid available to TANF recipients, who will be in the labor force, if just for a limited period of time.

### **Will WIA be adequately funded?**

The JTPA system served only a fraction of individuals who would have been eligible for it, and, similarly, the Employment Service was used by only a fraction of the employers looking for workers and individuals looking for work. WIA consolidates these two systems (along with other programs) and provides fewer resources than the two systems had individually. Furthermore, projections are suggesting that WIA will attract a larger share of employers and job seekers. In short, WIA is not likely to have adequate resources unless it leverages significant levels of resources from other public or private sources. Without supplemental funds, it will simply not have the kinds of per-participant resources that seem to be required to serve successfully clients in the second-chance system such as in CET, Project Quest, or Job Corps.

### **Will WIA have visionary leadership at the local level?**

Clearly the success of WIA at the local level will be highly dependent on the leadership of the workforce board and the administrating agencies. There will be opportunities for leaders to emerge; and furthermore, the non-incremental nature of the policy change will be best suited to individuals

who are innovative and creative. While resources will be incredibly thin, local workforce boards should still try to invest in the professional development of local board members, administrators, and case staff.

### **Will WIA use performance measures to enhance accountability?**

Considerable effort and thought has been put into the issue of performance measures for WIA. This is clearly one element of program administration that will be put into effect, and it is our expectation that the performance measures will tailor the delivery of services.

### **CONCLUSIONS/IMPLICATIONS**

The major thrusts in skills development policy have been accountability, market-driven choice, decentralization/devolution, emphasis on immediate work, private-sector leadership, and consolidation. The policy characteristics that are in disfavor seem to be eligibility set-asides, process regulations, service delivery by administrative agencies, subsidized education and training, technical assistance, and research and development.

Urban residents and other participants in the second-chance system, will be profoundly affected by these changes in emphasis. Current public policy in the area of skills development may be characterized as a grand experiment. Programs have evolved from a top-down, centralized system with regulatory protections and concern about equal access to a wide open, decentralized system operated largely by state bureaucrats and peopled by individuals at the local level who happen to take an interest and who happen to know the right individuals at the right time. Theoretical arguments

can be made that the system will be more efficient and more equitable, and counterarguments can be offered that the system will result in outcomes that are highly varied across localities.

We think that as we enter the 21<sup>st</sup> century, the success of public policy in delivering efficient and equitable skills development depend on two key factors: 1) the extent to which WIA administrators will be able to develop reliable outcome information on local training opportunities and provide it to individuals who are receiving intensive services in a way that influences their choices, and 2) the extent to which the work situations that TANF and other WIA clients find themselves in as a result of the “push” toward immediate work activity will result in the accrual of human capital and career progress.

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