

Forty-seven percent of all training program participants were enrolled in classroom training, at a cost of \$2,700 per participant, in 1980. On average, these participants received 21 weeks of training. Unfortunately, data are not available to describe the average number of hours in training per week or the proportion of participants who completed training.

On-the-Job Training

On-the-job training provides specific occupational skill training in actual job settings. CETA subsidizes participating employers for part of the wages of untrained persons and generally expects these persons to continue working for the firm or organization that trained them.

On-the-job training focuses most heavily on operative and craft training, probably because these skills may be best learned in a workplace setting. In 1976, 28 percent of the participants in on-the-job training were trained for operative jobs; 21 percent were trained for craft jobs; 15 percent were trained for clerical jobs; and 11 percent were trained for service occupations.

On-the-job training is the least frequently used type of training--representing 13 percent of participants in 1980--probably because it requires existing jobs. In addition, since private employers generally prefer job-ready workers, more experienced persons tend to be selected for these positions. On-the-job training provided an average of 19 weeks of training, costing \$2,100 per participant served in 1980.

Work Experience

Work experience differs from classroom training and on-the-job training because it focuses more heavily on providing subsidized employment to instill basic work habits and attitudes rather than to teach specific job skills. Work-experience jobs are in settings with varying degrees of supervision, complementary training, and supportive services.

Forty percent of all participants were enrolled in work-experience programs in public or nonprofit organizations in 1980. Work experience was most frequently in clerical or service jobs in 1976--24 percent of participants in work experience received clerical training and 26 percent training for service jobs. Work-experience participants received, on average, 20 weeks of training at a cost of \$2,200 per person in 1980.

CHAPTER III. THE EFFECTS OF CETA TRAINING ON THE POST-PROGRAM EARNINGS OF ADULT PARTICIPANTS

This chapter examines the effect of CETA classroom training, on-the-job training, and work experience on the post-program earnings of adult participants.¹ The first section describes the basic methodology used, the second reports the findings obtained, and the third briefly interprets these findings.

ESTIMATING THE EFFECT OF TRAINING

The effect of training was estimated as the average difference between participants' earnings during their first two to three years after leaving the program, and the best available estimates of what they would have earned if training had not been provided (see Appendix A). Although these estimates are only approximations, they probably provide a reasonable indication of the effect of CETA training.

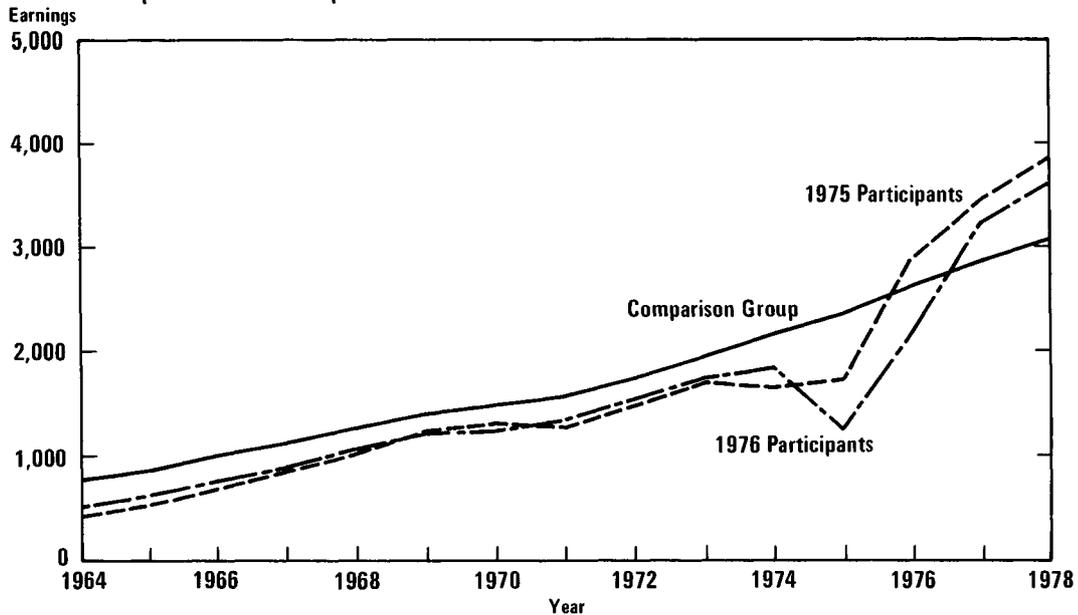
Earnings Before and After Training

Figures 1 through 6 describe the average annual earnings of two groups of CETA participants, before and after training, as well as the corresponding earnings of a comparison group of similar persons who were not in a CETA program.

Figure 1 illustrates that, before training, the long-term earnings profile of female participants was slightly below that of female comparison group members. Immediately after training, however, the average earnings of female participants jumped sharply above that of the comparison group and remained there for at least two to three years (the period for which data were available).

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1. Youth were not included because earnings in the years after participating in training--the performance indicator used for adults--is not always the most appropriate performance indicator for youth. For a discussion of youth training programs see Congressional Budget Office, Improving Youth Employment Prospects: Issues And Options (February 1982).

Figure 1.
Average Annual Earnings for Female CETA Participants
and Comparison Group Members from 1964 to 1978



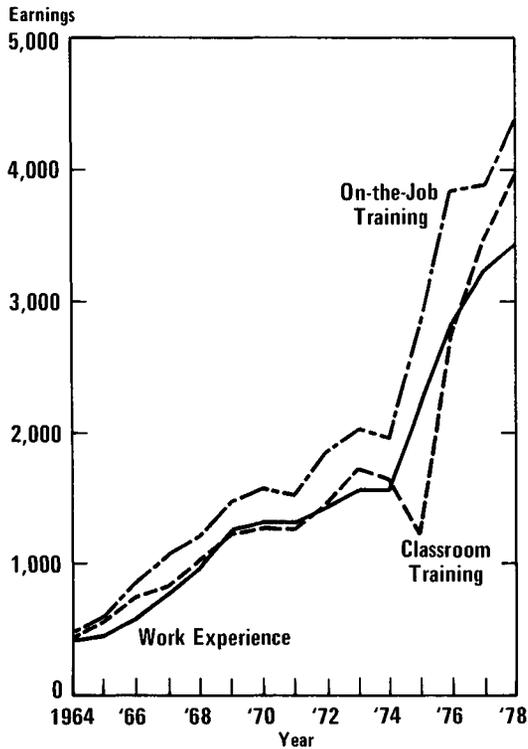
SOURCE: Estimates from the Continuous Longitudinal Manpower Survey.

This pattern was experienced both by women who entered training in 1975 and by women who entered training in 1976 (the two groups for which data were available).² In addition, it was experienced to a similar degree by female participants in classroom training, on-the-job training, and work experience (see Figures 2 and 3).

The pattern experienced by male participants was entirely different, however (see Figures 4, 5, and 6). Their average, long-term earnings profile before entering CETA was virtually the

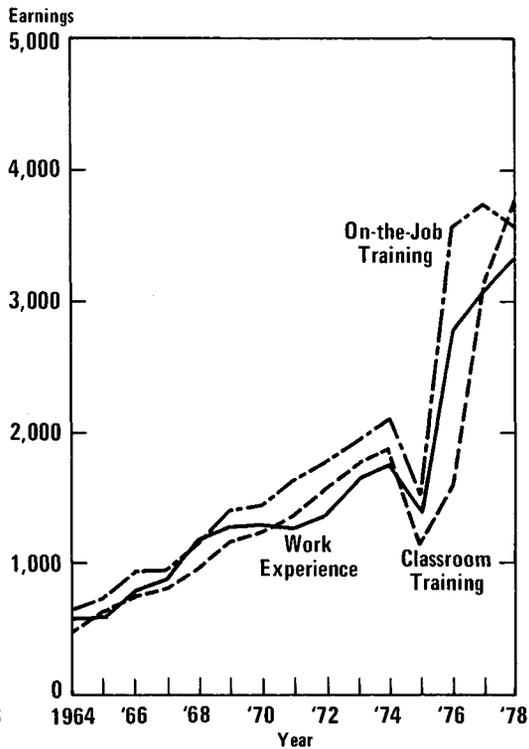
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2. For reasons explained in Appendix A, 1975 participants were defined as persons who began CETA training between January and August 1975 whereas 1976 participants were defined as those who began training between September 1975 and June 1976.

Figure 2.
1975 Female CETA Participants'
Average Annual Earnings from
1964 to 1978



SOURCE: Estimates from the Continuous Longitudinal Manpower Survey.

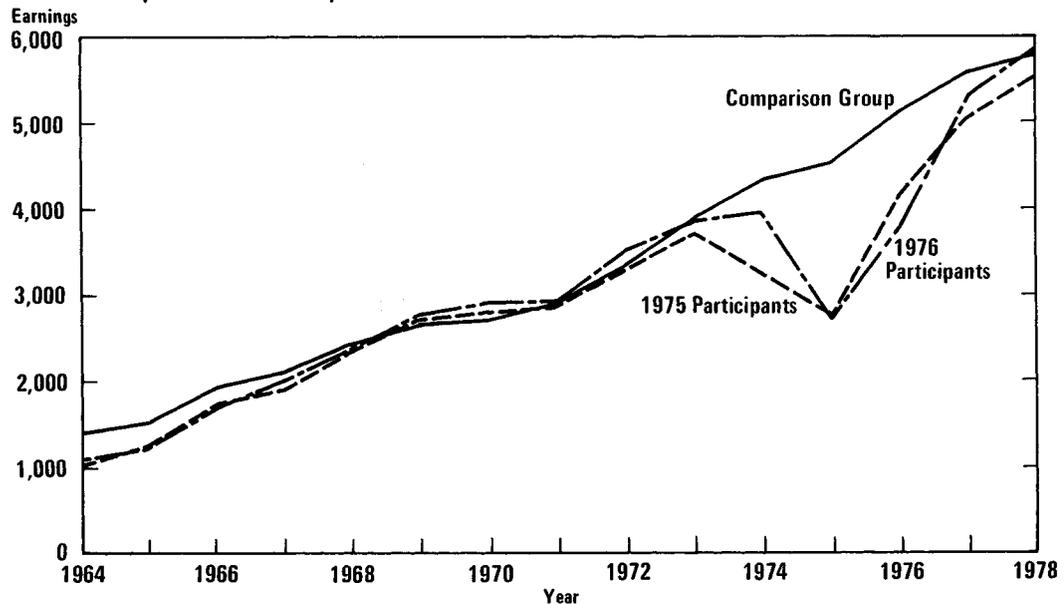
Figure 3.
1976 Female CETA Participants'
Average Annual Earnings from
1964 to 1978



SOURCE: Estimates from the Continuous Longitudinal Manpower Survey.

same as that of male comparison group members. But the year before entering the program, male participants experienced a sharp drop in earnings. Nevertheless, soon after leaving the program, their earnings had returned approximately to the same level as that of the comparison group. The best available data indicate that the earnings decline experienced by male participants (and to a lesser extent also by female participants) was temporary and would have disappeared rapidly, even in the absence of training (see Appendix B). For reasons explained in Appendix B, this "pre-program dip" was probably a statistical artifact produced by

Figure 4.
Average Annual Earnings for Male CETA Participants
and Comparison Group Members from 1964 to 1978



SOURCE: Estimates from the Continuous Longitudinal Manpower Survey.

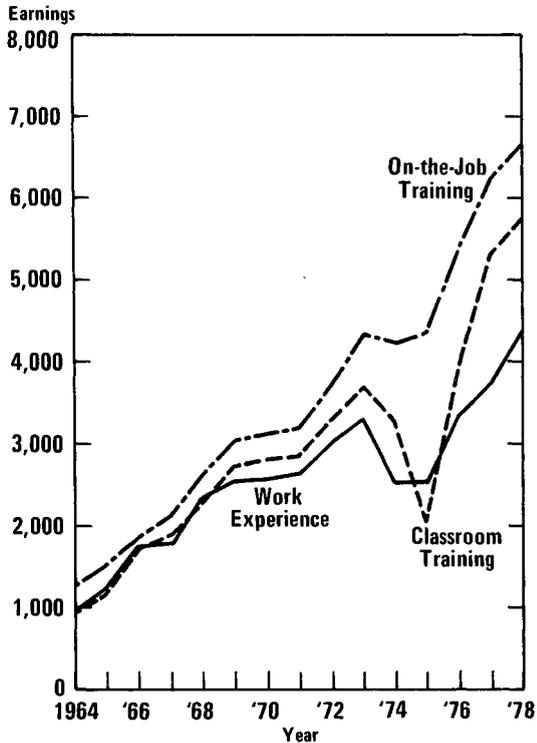
the fact that eligibility for CETA training programs is based on short-term rather than long-term individual earnings experience.

The Analysis

The analysis was conducted as follows. First, what each participant in the sample would have earned if training had not been provided was predicted from his or her past earnings trend. Figure 7 illustrates this process for a participant whose earnings increased sharply after CETA training.

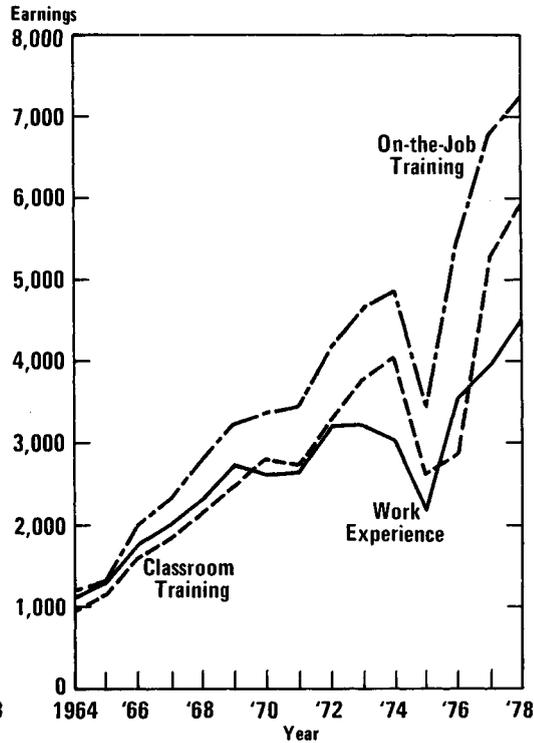
Next, the difference between each participant's actual and predicted earnings was computed for up to three years after training (see A, B, and C in Figure 7). This difference--referred to hereafter as the deviation from trend--was averaged for all

Figure 5.
1975 Male CETA Participants'
Average Annual Earnings from
1964 to 1978



SOURCE: Estimates from the Continuous Longitudinal Manpower Survey.

Figure 6.
1976 Male CETA Participants'
Average Annual Earnings from
1964 to 1978

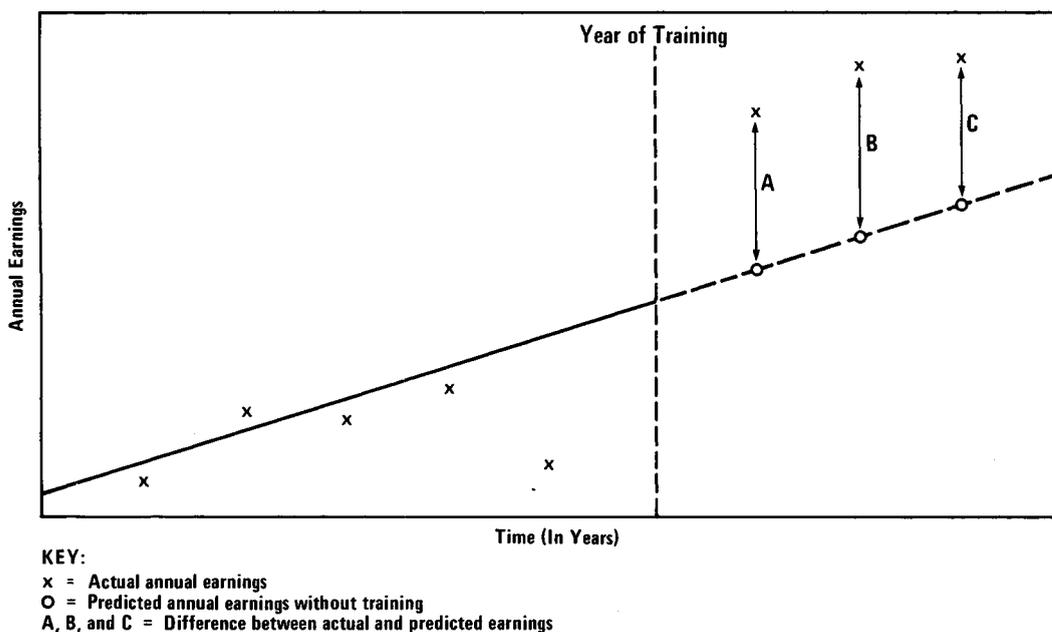


SOURCE: Estimates from the Continuous Longitudinal Manpower Survey.

years after training for each group of participants, providing a rough indication of the effect of training.

The next step was to account for changes in participants' earnings that resulted from fluctuating economic conditions. These changes were estimated by observing corresponding deviations from the earnings trends of comparison group members. The average deviation from trend for the comparison group was then subtracted from the average for participants to refine the initial estimate of the effect of training. Because each person's deviation was measured from his or her own past trend, it was not necessary for

Figure 7.
Earnings After Training Relative to the Past Long-Term Earnings Trend of a CETA Participant Who Experienced a Post-Program Earnings Gain



the trends of participants and comparison group members to be the same, although Figures 1 and 4 indicate that they were quite similar on average.

The principal strength of the preceding approach is the ability of past earnings trends to account for individual differences in factors that affect future earnings. Past trends reflect measurable factors that affect earnings, such as age and education, plus factors that cannot be measured directly, such as motivation. The approach is, however, only as strong as the relationship between past and future earnings.

Three further refinements were made. First, adjustments were made to account for the unusually low average earnings experienced by participants (especially men) in the year before they entered training. Second, all results were expressed in 1980 dollars to account for inflation. And third, adjustments were made to

account directly for individual differences in personal characteristics such as age, education, marital status, and family composition. To the extent that these characteristics predict likely future deviations from past earnings trends, it was necessary to control for them explicitly. Doing so had a relatively small effect on the final results, however.

The Data

The analysis was based on data for CETA participants who were over 24 years old, who entered classroom training, on-the-job training, or work experience between January 1975 and June 1976, and who stayed in the program for more than seven days.³ These data were obtained for a sample of 1,615 female participants and 1,608 male participants from the Continuous Longitudinal Manpower Survey conducted by Westat, Inc., and the U.S. Bureau of the Census for the Employment and Training Administration of the U.S. Department of Labor.⁴ This large-scale national follow-up survey of CETA participants provides detailed information about the employment experience of participants before and after training, plus data on their personal characteristics.⁵ In addition, annual

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3. Persons over 24 years old were chosen in order to focus on adults with meaningful past earnings experience. Participants in public service employment were excluded to focus directly on CETA's comprehensive training title. Persons entering between January 1975 and June 1976 were chosen because they were the only groups for whom appropriate data were available. And persons staying in the program for more than seven days were selected to ensure a minimum exposure to training and to be consistent with the criterion used by other researchers. Changing this last criterion to 50 days did not alter the results, however.
 4. For a description of the Continuous Longitudinal Manpower Survey see Westat, Inc., Impact on 1977 Earnings of New FY 1976 CETA Enrollees in Selected Program Activities, Employment and Training Administration, U.S. Department of Labor (1980).
 5. This information was obtained from CETA application forms plus surveys administered to participants when they entered CETA training programs and approximately 6, 18, and 36 months later.

earnings data for many years before training and up to three years after training were obtained from the Social Security records of each participant and included as part of the data base.⁶

Data for the comparison group of 21,096 women and 9,572 men were obtained from the March 1976 Current Population Survey supplemented by individual Social Security earnings records. Only persons who were between 25 and 60 years old, who earned less than the Social Security maximum for every year from 1970 through 1975, and who were members of families with 1975 incomes less than \$30,000 were included in the analysis.⁷

OVERALL FINDINGS

Because CETA training affected men and women differently, these effects are reported separately. All results are in 1980 dollars and are rounded to the nearest \$100. In brief:

For Women:

- o CETA increased average post-program earnings by \$800 to \$1,300 a year (see Table 5). About four-fifths of this increase was due to an increase in the amount of time worked and about one-fifth was due to increased wage rates.
- o In addition: the effects of classroom training, on-the-job training, and work experience were roughly the same; participants with the least previous labor market experience increased their earnings the most; the effect of training did not diminish during the first two to three years after training; and the effect of training appeared

6. For a discussion of this process see Westat, Inc. (1980).

7. The maximum earnings covered by Social Security and thus reported by Social Security records were \$7,800, \$7,800, \$9,000, \$10,800, \$13,200, and \$14,100 from 1970 through 1975, respectively. Persons in families with incomes greater than \$30,000 were eliminated to be consistent with the analysis by Westat, Inc., who supervised development of the data base. See Westat, Inc., Continuous Longitudinal Manpower Survey: The Impact of CETA on Participant Earnings, Working Paper # 2, U.S. Department of Labor (June 1980), p. 2-6.

TABLE 5. THE EFFECT OF CETA TRAINING ON AVERAGE ANNUAL POST-PROGRAM EARNINGS BY SEX AND TYPE OF TRAINING (In 1980 dollars)^{a/}

Type of Training	Women ^{b/}	Men
All CETA Training	800 - 1,300 ^{c/}	200 ^{d/}
Classroom training	800 - 1,400 ^{c/}	300 ^{d/}
On-the-job training	700 - 1,100 ^{c/}	300 ^{d/}
Work experience	800 - 1,300 ^{c/}	-100 ^{d/}

SOURCE: Estimates were derived from the Continuous Longitudinal Manpower Survey and the March 1976 Current Population Survey supplemented by individual Social Security earnings records.

- a. For persons over 24 years old and in CETA training more than seven days.
- b. The upper bound of each range includes earnings gains due to increased labor force participation, increased ability to find and hold a job, increased hours worked per week employed, and increased wage rates. The lower bound excludes earnings gains due to increased labor force participation and increased hours worked per week employed.
- c. Significant at the 0.01 level.
- d. Not significant at the 0.05 level.

to increase with the length of training (although this last finding may simply reflect the fact that women with the greatest potential were least likely to drop out of the program).

For Men:

- o CETA training did not appear to affect average post-program earnings, although for two subgroups there was

some evidence of an effect. This evidence was subject to qualifications, however.

The Effect of CETA Training for Women

Average Post-Program Earnings Gains. Women in classroom training increased their average post-program earnings by about \$1,400 a year, women in work experience programs increased their average post-program earnings by about \$1,300 a year, and women in on-the-job training increased their average post-program earnings by about \$1,100 a year. These large gains were significant according to accepted statistical standards⁸ and were consistent with the findings of past studies based on similar data.⁹ They represent the upper limit of the range of results for women in Table 5.

The small differences in the results for the different types of training were not statistically significant and thus do not necessarily indicate true differences in effectiveness. Therefore, it appears that all three types of training had roughly the same effect.

This finding is contrary to that of several other researchers who concluded that on-the-job training was most effective. But for reasons discussed in Appendix E, the statistical model used by these researchers did not fully compensate for the fact that on-the-job training participants earned substantially more than the other participants did before they entered training.

Changes in the Components of Earnings. The average earnings gain experienced by female participants was due to changes in:

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8. Statistical significance indicates that a finding is unlikely to reflect a chance sampling error. All statements in the text about statistical significance are based on the conventional 0.05 level, unless otherwise indicated.
 9. See Orley Ashenfelter, "Estimating the Effect of Training Programs on Earnings," The Review of Economics and Statistics, vol. LX, no. 1 (February 1978), pp. 47-57. Also see Nicholas M. Kiefer, "The Economic Benefits from Four Government Training Programs," in F.E. Bloch, ed., Research in Labor Economics: Evaluating Manpower Training Programs, (JAI Press, 1979), pp. 159-86.

- o their labor force participation (the amount of time they were available for employment);
- o their ability to find and hold a job (measured by the amount of time they were employed as a proportion of the amount of time they were available for employment);
- o the number of hours they worked per week employed (reflecting their mix of part-time, full-time, and overtime employment); and
- o their average hourly wage rate.

To further refine estimates of the effect of training for female participants, it was necessary to examine the role played by each of these basic components of earnings.

Table 6 describes each component during the year before and the first year after CETA training. According to calculations based on this information (see Appendix F), 21 percent of the average earnings gain for female CETA participants was due to increased labor force participation; 39 percent was due to an increased ability to find and hold a job; and 18 percent was due to an increase in hours worked per week employed. Thus a total of 78 percent was due to factors relating to an increase in the amount of time employed. The remaining 22 percent was due to increased wage rates.¹⁰

To interpret these results for women, one must examine the role of each earnings component. For example, consider labor force participation. Labor force participation's contribution to post-program earnings gains represents an increase beyond that predicted by participants' past experience, by the experience of comparison group members, and by individual personal characteristics. To the extent that training produced this unusually large increase (for example, by instilling self-confidence in women entering the labor force for the first time or reentering after a long absence), earnings gains due to increased labor force participation should be attributed to training. But to the extent that this increase represents a self-selection process whereby women already predisposed to entering the labor market were more

10. These percentages are only approximations and are subject to qualifications discussed in Appendix F.

TABLE 6. LABOR FORCE PARTICIPATION, EMPLOYMENT, HOURS WORKED, AND WAGE RATES BEFORE AND AFTER CETA TRAINING ^{a/}

	Women		Men	
	Year Before Training	Year After Training	Year Before Training	Year After Training
Average Number of Weeks in the Labor Force	35	41	43	46
Average Time Employed as a Proportion of Average Time in the Labor Force	0.47	0.62	0.57	0.63
Average Number of Hours Worked per Week Employed	33	38	35	40
Average Hourly Wage Rate for Time Employed (in 1980 dollars)	3.81	4.49	5.41	5.93

SOURCE: Estimates were derived from the Continuous Longitudinal Manpower Survey.

a. For persons over 24 years old and in CETA training more than seven days.

likely to participate in CETA, its contribution to future earnings gains should not be attributed to training.

Next, consider participants' ability to find and hold a job. This component's contribution to post-program earnings gains represents an unusually large improvement in participants' success in the job market. Such an improvement was unlikely without training.

The third component of earnings, hours worked per week employed, reflects participants' mix of part-time, full-time, and overtime employment. To some extent, an increase in this factor

could have been produced by female participants' decisions to shift from part-time to full-time employment. But much of this shift may have required assistance in preparation for and finding full-time employment.

The fourth component of earnings was wage rates, which largely reflects individual skill levels. Its contribution to earnings gains represents an increase in wage rates beyond that normally expected. Such an increase was unlikely to occur without the assistance of training.¹¹

More Conservative Estimates of the Effect of Training. The preceding discussion indicates that even though the estimates of post-program earnings gains discussed above accounted for the past experience of participants, the past and post-program experience of comparison group members, and differences in personal characteristics, they may overstate the effect of CETA training for female participants. More conservative estimates were obtained by eliminating the portion (roughly two-fifths) due to shifts in the two components that probably could have been most easily changed by female participants, even without special assistance--labor force participation and hours worked per week employed. These estimates, which may understate the effect of training, indicate that all three types of CETA training increased the average post-program earnings of female participants substantially (see the lower bound of the ranges in Table 5).

Duration of the Effect of Training. A comparison of earnings gains for each of the first three years after female participants had left training yielded no sign of decay over time. In addition, past studies based on similar data indicated that the effect of training for women persisted for at least three to five years (the maximum period for which data were available).¹²

The Effect of CETA Training for Men

None of the three types of CETA training appeared to affect the average post-program future earnings of male participants (see Table 5). After experiencing a sharp earnings drop in the year

11. Some of the increase in wage rates may, however, have been due to shifts from part-time to full-time employment, some portion of which might have occurred without training.

12. See Ashenfelter, op. cit., and Kiefer, op. cit.

before training, male participants returned to their past trend after they left the program. According to the best information available, this would have occurred without training (see Appendix B).

This finding does not mean that CETA training had no effect on the future earnings of male participants. A small effect could have been missed by the analysis because of the range of uncertainty (several hundred dollars) produced by inevitable limitations in the data. Nevertheless, the findings suggest that training probably did not have a large effect for male participants.

Secondly, the finding does not imply that no training programs were effective for any groups of male participants. Some local programs might have been quite effective, but there was no way to identify these programs given the available data. In addition, some of the evidence below, although subject to qualifications, suggests that some subgroups of male participants may have increased their future earnings because of CETA training.

COMPARING RESULTS FOR MEN AND WOMEN

Women probably benefited most from CETA because they had the greatest margin for increased employment--the component of earnings that appeared to be most responsive to training. But even so, they did not earn as much on average as male participants did after they left the program.

Why Women Benefited More Than Men Did

Differences in past labor market experience rather than differences in personal characteristics probably explain why women benefited more than men did from CETA training. For example, the average ages, the average education, and the percentages of minority group members were roughly the same for male and female participants (see Table 7). But their past labor market experiences were quite different (see Tables 6 and 8).

Women were in the labor force for 35 weeks, on average, during the year before they began CETA training, and were employed for 47 percent of the time they were in the labor force (see Table 6). Men, on the other hand, were in the labor force for 43 weeks, on average, during the year before they began training and were employed for 57 percent of this time.

TABLE 7. CETA PARTICIPANT AGE, EDUCATION, AND MINORITY STATUS^{a/}

	Average Age At Entry	Average Years of Schooling Completed At Entry	Percent Minority ^{b/}
Male Participants	34	11.0	42
In classroom training	33	11.1	52
In on-the-job training	33	11.3	32
In work experience	36	10.8	38
Female Participants	35	11.1	47
In classroom training	34	10.9	54
In on-the-job training	35	11.4	41
In work experience	37	11.5	36

SOURCE: Estimates were derived from the Continuous Longitudinal Manpower Survey.

- a. For persons over 24 years old and in CETA training for more than seven days.
- b. Minority participants include non-whites and Hispanics.

Furthermore, a much greater proportion of female participants had no employment experience before they entered training (see Table 8). Twelve percent of the female participants were never employed during the four- to five-year period before they entered training, whereas only 4 percent of the male participants were in this category.

Table 8 indicates that regardless of sex, earnings gains after training were much larger for persons with no previous employment experience than they were for persons with some previous experience. Female participants with no past employment had a \$2,500

TABLE 8. EARNINGS GAINS BY SEX AND PREVIOUS EMPLOYMENT EXPERIENCE^{a/}

Group	Number of Participants	Percent of Sample by Sex	Average Earnings Gain
Female Participants	1,615	100	1,300 ^{c/}
Not previously employed ^{b/}	190	12	2,500 ^{c/}
Previously employed	1,425	88	1,200 ^{c/}
Male Participants	1,608	100	200 ^{d/}
Not previously employed ^{b/}	66	4	4,500 ^{c/}
Previously employed	1,542	96	100 ^{d/}

SOURCE: Estimates were derived from the Continuous Longitudinal Manpower Survey and the March 1976 Current Population Survey supplemented by individual Social Security earnings records.

- a. For participants over 24 years old and in CETA training programs for more than seven days.
- b. Persons with no earnings reported to the Social Security Administration between 1970 and entry into a CETA program.
- c. Significant at the 0.01 level.
- d. Not significant at the 0.05 level.

average earnings gain, while those with some previous employment had a \$1,200 gain. Corresponding results for men were \$4,500 and \$100.¹³

Given the fact that women had far less previous employment experience than men, and that post-program earnings gains declined markedly as previous employment experience increased, it is likely that differences in previous experience account for a large portion of the difference in the effectiveness of CETA training for men and women.

The Earnings Gap Between Men and Women

The large earnings gain experienced by female participants was not big enough to eliminate the initial gap between them and their male counterparts. On average, women earned \$4,300 and men earned \$6,800 in the year after leaving CETA training programs. The remaining gap primarily reflected the higher wage rates received by men, and to a lesser extent their greater labor force participation. In terms of finding and holding a job and the number of hours worked per week employed, the post-program experiences of female and male participants were essentially the same.

VARIATIONS IN RESULTS BY LENGTH OF TRAINING AND MINORITY STATUS OF PARTICIPANTS

Longer training was associated with larger earnings gains for women, but in general there was no effect for men, on average, regardless of the length of training. In addition, there was no consistent difference between the effects of training for minority and non-minority participants.

Variations by Length of Training

Longer classroom training, on-the-job training, and work experience were associated with larger earnings gains for female

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13. The observed earnings gain for men who were previously not employed, and to a lesser extent for women who were previously not employed, may reflect employment shifts from jobs not covered by Social Security to jobs that were covered. Thus they must be interpreted with caution. This was probably much less of a problem for persons with some past employment.

participants (see Table 9). The average gain for women with 100 days of training (the average length of training was 150 days) was about \$1,200 a year, whereas the corresponding gain for women with 200 days of training was \$1,500. In addition, the relationship between the number of days of training and future earnings gains for women was roughly constant over the range of program lengths examined (from about 10 to 250 days).

The preceding findings should be interpreted with caution, however, in light of three important data limitations. First, it was not possible to measure program intensity in terms of the

TABLE 9. EARNINGS GAINS BY SEX, TYPE OF TRAINING, AND LENGTH OF TRAINING (In 1980 dollars)^{a/}

Training	Women ^{b/}		Men ^{c/}	
	100 Days	200 Days	100 Days	200 Days
All CETA Training	1,200	1,500	200	100
Classroom training	1,200	1,600	200	500
On-the-job training	1,000	1,700	400	-400 ^{d/}
Work experience	1,200	1,500	0	-400 ^{d/}

SOURCE: Estimates were derived from the Continuous Longitudinal Manpower Survey and the March 1976 Current Population Survey supplemented by individual Social Security earnings records.

- a. For persons over 24 years old and in CETA training more than seven days.
- b. All results for women were significant at the 0.01 level.
- c. All results for men were not significant at the 0.05 level.
- d. This result does not necessarily represent a negative effect because it is not statistically significant and thus cannot be distinguished from a finding of no effect.

number of hours of training per day. Second, it was not possible to distinguish on a consistent basis between persons who had completed training and persons who had dropped out prematurely. Third, it was not possible to separate the actual effect of lengthening training from selection effects due to women with the greatest potential staying in training the longest.

Variations by Minority Status

There was no consistent pattern in the observed differences in the effect of training for minority and non-minority persons (see Table 10).¹⁴ Both minority and non-minority female participants experienced large future earnings gains, with some evidence of a smaller gain for minority women. But in five out of six cases, there was no significant effect for minority or non-minority male participants. The one exception to this rule--on-the-job training for minority males--produced the largest earnings gain for any group examined in Table 10. Because this result was based on the experience of only 130 participants (representing 4 percent of the sample) and because it was inconsistent with virtually all other findings in this paper, it should be interpreted with caution. Furthermore, because this finding produced a significant \$600 overall average earnings gain for minority men when the results for both classroom training and work experience indicated no significant effect for this group, the overall average result for minority men should also be interpreted with caution.

INTERPRETATION OF THE FINDINGS

Chapter II indicated that the typical CETA training program provided relatively short-term training for entry-level jobs. This chapter has shown that the main effect on earnings of this training (when it has been effective) was to increase the amount of time that participants worked. Only a small effect on wage rates was observed and thus it appears that there was probably little effect on job skills.¹⁵

14. Non-minority participants included all persons who were white and not Hispanic. Minority participants included everyone else.

15. Some effect on skills could have produced the observed increase in hours worked, however.

TABLE 10. EARNINGS GAINS BY SEX, MINORITY STATUS, AND TYPE OF TRAINING (In 1980 dollars)^{a/}

	Women ^{c/}	Men
Minority Participants ^{b/}	1,000	600 ^{d/}
In classroom training	1,100	300 ^{e/}
In on-the-job training	800 ^{d/}	1,500 ^{f/}
In work experience	900	300 ^{e/}
Non-Minority Participants ^{b/}	1,300	-100 ^{e/}
In classroom training	1,300	300 ^{e/}
In on-the-job training	1,200	-200 ^{e/}
In work experience	1,400	-300 ^{e/}

SOURCE: Estimates were derived from the Continuous Longitudinal Manpower Survey and the March 1976 Current Population Survey supplemented by individual Social Security earnings records.

- a. For persons over 24 years old and in CETA training more than seven days.
- b. Non-minority participants include all persons who were white and not Hispanic. Minority participants include all other groups.
- c. All results for women, except for on-the-job training for minority participants, were significant at the 0.01 level.
- d. Significant at the 0.05 level.
- e. Not significant at the 0.05 level. Negative results do not necessarily represent a negative effect, however, because these results are not statistically significant and thus cannot be distinguished from a finding of no effect.
- f. Significant at the 0.01 level.

These findings are consistent with the result that CETA training worked best for persons with little or no past employment experience--the group with the greatest margin for responding to training's principal effect.

Similarly, these findings help to explain why female CETA participants (who have little past employment experience, on average) appeared to benefit more from training than male participants (with more past employment experience, but chronic low earnings) did.

Furthermore, the preceding findings help to explain why no consistent differences were observed in the effectiveness of the three major types of CETA training--classroom training, on-the-job training, and work experience. In theory, classroom training and on-the-job training emphasize the development of specific job skills whereas work experience emphasizes the development of general work habits. Thus the first two types of training might be expected to have a larger long-term impact on earnings. But in practice, none of the types of training appeared to improve skills substantially, perhaps because more extensive training would have been necessary. Their major effect was to increase the amount of time worked by participants, a task for which all three approaches might be equally well suited.

CHAPTER IV. ISSUES AND OPTIONS FOR FUTURE JOB-
 TRAINING PROGRAMS

This chapter examines several important issues in the design of future federal training programs:

- o What are the employment problems facing low-income persons?
- o Can job-training programs help this group?
- o Is there a necessary federal role in providing job-training programs? and
- o What training services would be most effective?

Two specific aspects of bills that are currently being considered as replacements for the Comprehensive Employment and Training Act (CETA) relate to the above questions--the eligibility criteria for determining which adults should participate in training programs, and the types of training services that would be available.¹ In addition, no matter how federal legislation resolves these issues, state or local program operators will continue to address the problems of whom to serve and what services to provide.

WHAT ARE THE EMPLOYMENT PROBLEMS
FACING LOW-INCOME PERSONS?

Low-income persons do not all experience the same employment problems. Persons who have never worked or who have not worked for a long time may face major difficulty in entering or reentering the job market. Persons who have been employed but with

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1. As mentioned previously, three main bills are currently proposed to replace CETA: the Administration's proposed Job Training Act of 1982 (S. 2184), the Training for Jobs Act (S. 2036) passed by the Senate, and the Job Training Partnership Act (H.R. 5320) reported by the House Committee on Education and Labor.

chronically low earnings, on the other hand, may need to be more stably employed and to increase their wage rates. Women are more likely to be members of the former group, whereas men are more likely to be members of the latter group.

Currently, CETA training programs do not explicitly distinguish between low-income persons with little or no previous job experience and those with chronically low earnings. Low-income persons are eligible to participate in CETA training programs under Title II-B if they are out of work, underemployed, in school, or receiving public assistance at the time they apply for training.²

Persons eligible to receive training do not necessarily have the same characteristics as those who enter training programs. In fiscal year 1980, at least 16 million persons were eligible for CETA training programs while only about 760,000 persons obtained training.³ Approximately two-thirds of the eligible population were women and about three-quarters were in families receiving welfare payments.⁴ Only one-third of the adults who became participants were members of families receiving welfare, however. Persons receiving welfare, often women, are more likely to be

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2. The current income criteria require that a person be a member of a family receiving public assistance or a member of a family whose income--excluding such sources as public assistance and unemployment insurance--during the previous six months on an annualized basis was such that (1) the family was eligible for public assistance or (2) the family income was less than or equal to 70 percent of the Bureau of Labor Statistics Lower Living Standard or (3) the family income was less than or equal to the Office of Management and Budget poverty guidelines.
 3. This estimate of the eligible population, based on the March 1978 Current Population Survey (CPS) modified to represent fiscal year 1980, represents persons who would have been eligible during 1980. Since eligibility depends on the person's employment status, these data underestimate somewhat the current eligible population because the unemployment rate represented in the data was 6.8 percent, compared to an actual rate of 9.5 percent in June 1982.
 4. These data on the eligible population and participants include persons under the age of 25.

members of the group with little previous job experience than are other low-income persons.

Two of the three proposals currently pending before the Congress would alter existing CETA eligibility criteria for adults. The Administration's proposal would serve two main groups: low-income youth and adults who were in families receiving Aid to Families with Dependent Children (AFDC). For adults, this change would focus training more heavily on women and persons with limited previous employment. The Senate bill would continue generally to serve low-income persons but would require that at least 50 percent of the funds be used for youth and that both persons receiving AFDC and high school dropouts be served in proportion to the size of the groups in the area's eligible population. This proposal would increase the number of welfare recipients in training programs and thus the proportion of participants with little previous job experience; however, the increase would not be as large under the Administration's proposal. The House Committee bill, on the other hand, would have separate training programs for youth and adults. For adults, the current eligibility criteria would essentially continue.

CAN JOB-TRAINING PROGRAMS HELP LOW-INCOME PERSONS?

Evidence reported in Chapter III suggests that CETA training benefited principally persons who had little previous job experience, as reflected by the fact that women, on average, benefited more than men. Their gains resulted from increased employment more than from increased wage rates, and may thus indicate only a small increase in skills.

Further evidence of the responsiveness to training of persons who had not previously been employed much is provided by the National Supported Work Demonstration Project. This project provided a tightly supervised, supportive work environment for persons experiencing long-term labor market problems. The group that benefited most from this program, in terms of later earnings, was women who had been receiving welfare for roughly three or more years and who had previously worked relatively little.⁵

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5. This demonstration project tested the effects of supported work on persons with severe employment problems, concentrating on four groups--women who had been receiving welfare for
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On the other hand, CETA training programs do not seem to improve the earnings of persons with chronically low earnings since, on average, men did not seem to benefit from training. Other types of training might improve the earnings of this group, however.

IS THERE A NECESSARY FEDERAL ROLE
IN PROVIDING JOB-TRAINING PROGRAMS?

Another important issue is the role of the federal government in the funding and operation of training programs. Currently the federal government provides support for programs administered by state or local governments. To the extent that such programs might receive funding from other sources--for example, from state or local governments or the private sector--the federal government would not necessarily need to be involved. It seems unlikely that other sources would replace lost federal funding for such programs, however, since they have not done so in the past. In addition, there is some preliminary evidence that state and local governments are not replacing last year's federal funding reductions.⁶

If federal funding for CETA ceased and no alternative funding was provided, persons who would have entered CETA training programs probably would not obtain other training. Persons who had been employed relatively little would probably earn less in the future than they would have after receiving training. On the

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long periods, ex-addicts, ex-convicts, and young school dropouts. The project included 10 sites with 3,200 persons participating in supported work and 3,400 persons in the control group. All participants and control group members were volunteers who were then randomly assigned to the program and control groups. See Manpower Demonstration Research Corporation, Summary and Findings of the National Supported Work Demonstration (Ballinger Publishing Company, 1980).

6. See Richard P. Nathan, et al. "Initial Effects of the Fiscal Year 1982 Reductions in Federal Domestic Spending" (Urban Institute, May 1982).

other hand, previously employed persons with chronically low earnings would probably earn about the same in the future as they would if training were provided.

The extent of federal involvement in decision-making about program design could also vary. Under the current system, state or local governments determine whom to serve and what services to provide within federal guidelines. Continuing this system could provide participants the most effective services available if state or local program operators are more familiar with their specific training needs and opportunities than the federal government. On the other hand, program administrators may focus more on achieving short-term job placements rather than on the possibility of long-term earnings gains.

WHAT TRAINING WOULD BE MOST EFFECTIVE?

The employment needs and the types of training that are most effective at addressing these problems differ for persons with little previous employment experience and employed persons with chronically low earnings.

Persons with Little Previous Employment Experience

CETA training programs seemed to be effective for persons with limited work histories; they show greater overall earnings gains for women, who are more likely to have little or no job experience than men. This training is fairly short-term--on average about 20 weeks--and focuses primarily on the work habits, attitudes, and skills necessary for low-wage, entry-level jobs.

Whether current training is provided in a classroom setting, on-the-job, or through subsidized work experience appeared to make little difference in participants' average post-program earnings.⁷ For all three types of training, the discounted value of participants' increased earnings over the next several years approximately equaled the federal costs of training. Classroom training costs somewhat more than work experience and on-the-job training, however.

7. It is possible, however, that this result might differ for more extensive training that focused on higher-level skills.

Classroom training costs could be reduced by eliminating or restricting allowances for participants since these payments represent approximately one-half of costs. In fact, if all allowances were eliminated, classroom training could pay off more quickly than the other types of training. Although eliminating allowances for all persons could double the number of participants served for the same total cost, it might result in some persons being unable to participate for lack of income.⁸ It is also possible that different types of people might then receive classroom training, with a different degree of effectiveness. Providing allowances based on need might alleviate these problems.

Since most of the earnings gain from CETA training programs was due to an increase in the amount of time worked, more emphasis on job placement services and less on formal training might achieve the same results as current training programs at a lower cost per participant. In particular, job placement services could be offered through job referral assistance or through job search assistance. Job referral assistance involves locating and developing job openings and matching job seekers with openings. Job search assistance involves teaching people how to look for jobs and supervising their search. Although job referral assistance generally costs less than job search assistance, intensive group search seems to produce higher placement rates.⁹

On the other hand, if the effect of CETA training programs on earnings is not due primarily to its assistance in facilitating entry or reentry into the labor market, focusing mostly on placement services might be unsuccessful. It might also seriously limit potential future earnings growth by reducing the emphasis on increasing skills. Unfortunately, the data were not available to determine whether or not the main effect of CETA training results from its provision of placement services.

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8. Although eliminating allowances would reduce CETA spending, federal spending on other programs could increase if participants obtained income assistance from other programs.
 9. Proponents of group job search argue that it is effective because it resembles the way in which people generally find jobs--through informal contacts and the use of multiple job-search methods. See Elise Bruml and John Cheston, "Placement Assistance in the ES, WIN and CETA" (paper funded in part from U.S. Department of Labor, March 1982).