

JOB TRAINING THAT WORKS

Public programs stagnate, while private and charitable training excels

KEY FACTS: • Researchers have consistently found that government-provided job training and placement programs are wasteful, inefficient, and sometimes even counterproductive.

• Researchers have also consistently found that private providers of job training yield strong, positive results.

• State job training and placement programs in North Carolina span 13 departments and divisions and include 27 programs.

• Total state expenditures on job training and placement programs (including federal and local grants) were over \$476.1 million in 2005-06; the state budget for 2008-09 includes over \$49.2 million's worth in state appropriations for job training and placement programs.

• State programs show only modest benefits in clients finding employment.

• Private training, from on-the-job training to charitable providers of training, has demonstrable benefits.

• Private charities, even though their clients included ex-offenders, former addicts, former drug pushers, and others considered "hard to employ," show significantly higher placement rates than government programs.

The issue of job training is one that seems to many well-meaning people to call for government funding. Nevertheless, researchers that have studied government-provided training programs and initiatives have repeatedly found that government-provided programs are wasteful and inefficient and not infrequently yield negative returns. Meanwhile, researchers continue to find that private providers of training yield strong, positive results.

Indeed, the difference is so stark that the focus of some training research now is trying to understand why it is so. As economists Gueorgui Kambourov, Iourii Manovskii, and Miana Plesca have put it,

The rapidly growing literature studying the returns to firm and government provided training has made a striking observation. Returns to firm-sponsored training are positive

200 W. Morgan, #200
Raleigh, NC 27601
phone: 919-828-3876
fax: 919-821-5117
www.johnlocke.org

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and large while returns to government-sponsored training are low or even negative. This has sparked a lot of research interest in studying why government-sponsored training is so inefficient.¹

The federal Job Training Partnership Act (JTPA) has been unable to raise the incomes of adult males or female youths.² JTPA had an initial positive effect on the incomes of adult females, but the effect on lasted about six months.³ Its effect on the earning of male youth was so negative as to have an even more negative impact on their earnings than the cost of incarceration.⁴

Other government training programs, such as the Summer Youth Employment and Training Program under JTPA, state workfare and learning programs, and even training programs for displaced older workers yield such consistently small effects as to be considered inefficient and ineffective.⁵

Federal job-training programs have been “reformed” frequently, but without any realization of fundamental changes to the problem. Professor Gordon Lafer of the University of Oregon Labor Education and Training Center observed, “As successive generations of job training programs fail to produce the hoped-for results, policy makers have cycled through a stock repertoire of procedural fixes that promise to solve the problem.”⁶

Researchers David Muhlhausen and Paul Kersey suggest that the failure of government-sponsored employment and training programs is likely not managerial at all but instead “that government-funded training is fundamentally flawed.”⁷

The General Accounting Office studied 61 job-training programs in 38 states. Its conclusion was that those programs helped program beneficiaries find only “dead-end jobs.”⁸ The GAO could not find that the poor in those programs received either the education or the training necessary to advance.⁹

Table 1. North Carolina Job Training, Job Placement, and Related Programs and Services — Actual Requirements, 2005-06
Includes federal, state, and local grants

<i>STATE DEPARTMENT OR DIVISION — Program</i>	<i>Requirements</i>
DEPARTMENT OF LABOR	
Apprenticeship Training	\$1,621,377
DEPARTMENT OF ADMINISTRATION	
Displaced Homemakers	\$1,946,074
Workforce Investment Act Program — Indian Affairs	\$191,280
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES	
Young Offenders	\$667,639
DIVISION OF CENTRAL MANAGEMENT AND SUPPORT	
Office of Economic Opportunity	\$15,589,903
DIVISION OF AGING AND ADULT SERVICES	
Community Based Services	\$2,088,345
DIVISION OF SOCIAL SERVICES	
Refugee Assistance Programs	\$2,624,550
DIVISION OF SERVICES FOR THE BLIND, DEAF, AND HARD OF HEARING	
Rehabilitation for the Blind — Counsel/Placement	\$14,103,339
DIVISION OF VOCATIONAL REHABILITATION	
Counseling and Placement — State	\$28,748,636
Counseling and Placement — Third Party	\$9,958,822
Agency Operated Rehabilitation Facility	\$2,165,122
Case Services	\$61,630,671
Establishment of Facilities	\$188,132
Client Assistance Project	\$271,130
Supported Employment Project	\$616,352
Assistive Technology Project	\$543,322
DEPARTMENT OF CORRECTION	
Prison Education Services	\$3,867,584
COMMUNITY COLLEGES SYSTEM OFFICE	
NC REAL Enterprises (Nonrecurring)	\$250,000
Economic and Workforce Development	\$14,827,247
State Aid — Focused Industry Training	\$3,964,470
DEPARTMENT OF LABOR	
Pre-Apprenticeship	\$46,769
Youth/Adult Apprenticeship	\$9,893
DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION	
Job Training Partnership	\$61,475
DEPARTMENT OF COMMERCE	
Employment and Training Administration*	\$2,810,258
U.S. Department of Labor Grants Program	\$116,573,079
Commission on Workforce Development*	\$2,106,730
Employment Security Commission ¹⁰	\$188,676,237
	<i>Total</i> \$476,148,436

* The Commission on Workforce Development fund would be merged with the Employment and Training Administration fund after 2006-07.

Government-sponsored training in N.C.

Despite this consistency in the research literature, the federal government, the state of North Carolina, and local governments throughout the state continue to devote considerable tax revenue to training programs. Government training and placement programs in North Carolina span 13 state departments and divisions and include 27 programs (see Table 1).

In 2005-06 (the most recent figures), total state expenditures for job training and placement services in North Carolina were over \$476.1 million, including federal and local grants. The state budget for 2008-09 includes over \$49.2 million's worth of appropriations for job training and placement programs that are buttressed with federal and local grants (see Table 2). Those figures don't include spending on postsecondary education, degree-based training, and receipt-based adult education through community college and universities.

The most recently obtainable outcome data for North Carolina's programs show only modest benefits. Only about one-fourth (29 percent) of JTPA clients entered employment as a result of being in the program, and 26 percent were still employed after 90 days.¹¹ The same proportion of Employment Security Commission (ESC) job office clients were placed in jobs.¹² About two-fifths (41 percent) of Vocational Rehabilitation clients found employment after completing the program.¹³

Private and company-sponsored training

While government-sponsored job training programs tend to be either ineffective or negatively effective, the effects of private and company-sponsored training are, as Kambourov, Manovskii, and Plesca said, "positive and large." Just as the nature of government-funded training could be fundamentally flawed, it could be that the nature of private and company-sponsored training is fundamentally enhanced by ownership in the training process by both trainee and trainer.

A large source of private job training is on-the-job training. For example, an estimated 31 percent of workers received formal professional and technical training from their current employer, and 28 percent received informal professional and technical training from their current employer. Just in computer training, 38 percent received formal and 54 percent received informal training from their current employer.¹⁴

The returns to on-the-job training are rather obvious. Employers ensure that employees learn the skills that are necessary to accomplish tasks in their jobs, and employees gain not only those skills but also the assurance of job stability, since an employer would not invest in a resource he intended to jettison. Both sides — employers and employees — exit the process with more useful resources now and in the future.

The individual could himself seek training, either while employed or in anticipation of future employment. The usual way of doing so is to contract with a private or public provider of education for specifically vocational training

Table 2. North Carolina Job Training, Job Placement, and Related Programs — State Appropriations, 2008-09

<i>STATE DEPARTMENT OR DIVISION — Program</i>	<i>Appropriations</i>
DEPARTMENT OF LABOR	
Apprenticeship Training	\$1,705,981
DEPARTMENT OF ADMINISTRATION	
Displaced Homemakers	\$314,204
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES	
Young Offenders	\$994,459
DIVISION OF CENTRAL MANAGEMENT AND SUPPORT	
Office of Economic Opportunity	\$75,599
DIVISION OF VOCATIONAL REHABILITATION	
Counseling and Placement — State	\$6,548,300
Agency Operated Rehabilitation Facility	\$536,363
Case Services	\$17,097,639
Assistive Technology Project	\$656,559
DEPARTMENT OF CORRECTION	
Prison Education Services	\$4,744,632
COMMUNITY COLLEGES SYSTEM OFFICE	
Economic and Workforce Development	\$8,845,032
State Aid — Focused Industry Training	\$3,964,471
Specialized Technology Center	\$3,726,156
<i>Total</i>	<i>\$49,209,395</i>

or for degree-based education that translates into an assurance of a certain skill and knowledge set to prospective employers. For the purposes of this paper, even though public colleges and universities offer North Carolina citizens training and education at heavily subsidized rates, the pursuit of postsecondary education does not fit the general conception of job training, so this paper does not consider it as such. Including those state subsidies in a compilation of state job-training expenditures might make it more comprehensive, but at the risk of making it decidedly less clear.

Charitable providers of job training

Private providers of vocational training or degree programs range from private universities to online vocational training and all points in between. And some are charitable organizations supported not by receipts and charges, but by donations, grants, volunteer work, and the belief that such work is important for the good of society, the glory of God, or both.

Several private training programs — especially charitable programs — start by addressing “soft skills,” which are those life skills that makes a person employable at any job: timeliness, proper attire, good hygiene, good work ethic, respect for others, a good attitude toward superiors and colleagues, good communication skills, sobriety, etc. Many also teach life skills such as financial responsibility and household management.

These skills are important to obtain because poverty in America is mostly self-inflicted,¹⁵ owing to poor decisions¹⁶ and behaviors, especially a weak work ethic.¹⁷

An excellent national example of this kind of job-training and life-skill-training program is the STRIVE program, which originated in the Harlem neighborhood in New York City in 1985 and is now operating 22 programs throughout the United States and five overseas. STRIVE (the acronym for “Support and Training Results In Valuable Employees”) is a privately supported organization that aims to help inner-city individuals considered “hard to employ” become people that employers will hire. These include “ex-convicts, former drug addicts and pushers, unwed mothers, deadbeat dads.”¹⁸

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The STRIVE program puts its clients through a training workshop lasting three to four weeks in which they are trained in personal responsibility, attitude, soft skills, communication skills, and the work environment, then given job-placement opportunities through STRIVE partner organizations and offered program follow-up in the form of long-term support and career counseling.

STRIVE programs graduate nearly 3,000 people per year, with 69 percent of graduates finding employment within the following year, despite 43 percent not having even a high-school diploma or equivalent and 42 percent being ex-offenders.¹⁹ That proportion is far higher than JTPA and ESC’s client employment rates.

A similar N.C. program is the StepUP Ministry of Wake County. In July, StepUP announced that its three-year-old Jubilee Jobs program had already made its five hundredth job placement.²⁰ By 2006, the six-month retention rate of program participants was at 81 percent, with many advancing in pay and opportunities with their employers.²¹

StepUP offers clients a “year-long, phased, incentive driven program leading to safe, affordable housing and a stable, life-sustaining job,” based on a core curriculum designed to

Address financial literacy and responsibility, physical and mental health, spiritual nurture, and healthy relationships. A management system (the Balanced Scorecard) has been implemented to tie our strategies to objectives and measures that generate monthly reports and long-term measurable outcomes.²²

Founded in 1988 by members of White Memorial Presbyterian Church to provide transitional housing and finan-

cial literacy training to working families on the verge of becoming homeless, the StepUP Ministry has become an interfaith ministry supported by many different kinds of congregations. It has expanded to help single adults, especially ex-offenders.²³

What role does government have?

Any policy prescription to a social problem should be held to the medical principle of first do no harm. As stated above, the failures of government-sponsored job-training programs are so well known that researchers have taken to investigating why they fail. When hundreds of millions of dollars are diverted into failing activities, the harm is not only manifest in the wasted time of the participants and the program administrators, but also hidden in the unseen, lost alternative investments of those dollars.

In North Carolina, job-training programs are far-flung across a wide range of departments and divisions with little accountability and oversight. Indeed, the full extent of the state's investment in job training is difficult to gauge. Some programs seem redundant, some seem more necessary than others (e.g., the Displaced Homemakers program, Refugee Assistance, Rehabilitation for the Blind, and providing assistance to workers whose unemployment came about because of changes to federal trade policies), some programs that seem to have job-training components that perhaps do not, and others appear not to involve job-training but that perhaps stray into the field. Consolidating some of these programs would help to increase oversight of them, and it would also reduce redundancy and some inefficiencies (above the overarching inefficiency of government-sponsored training itself).

The temptation is ever-present to view a societal problem as requiring a solution from government, but not infrequently the solution from government is to stay out of the way of individuals with solutions and to remove obstacles from their paths. The area of job training and placement is one replete with examples of individuals with solutions tailor-made to their own needs (from company-sponsored training to choosing among the manifold different vendors of training and education) and with solutions charitably provided to meet the more intangible needs of the hard to employ.

Individuals with solutions are also to be found throughout the field of education, and it is in the area of education choice that governments can especially assist by removing obstacles. The state cap on charter schools should be lifted to allow educational innovation and competition to flourish. School districts should contribute to school choice and competition through open-enrollment policies and the end of forced busing, allowing voluntary busing to district schools of the parents' choice. Allowing greater freedom in education would help concerned educators and entrepreneurs incorporate ideas in school curricula tailored to meet their individual communities' needs, even the inclusion of teaching life skills, personal responsibility, and the importance of soft skills or other programs that keep students from later being among the hard to employ.

Conclusion

The research literature on government job-training programs is clear that such programs are wasteful and inefficient. Job training that works is on-the-job training, where employers and employees alike buy into and benefit from programs chosen to meet each others' needs; individual investment in private training or degree programs, where individuals and training providers (from universities to online training providers) contract for training that suits the individual's needs, talents, and interests; and private life-skills and job-training charities, where "hard to employ" individuals benefit from charitable grants and donations to receive training not only for a specific job but also for the world of employment outside of the world of non-employment.

Jon Sanders is a policy analyst and research editor for the John Locke Foundation.

End Notes

1. Gueorgui Kambourov, Iouri Manovskii, and Miana Plesca, "Returns to Government Sponsored Training," preliminary draft abstract, version March 1, 2005.
2. David Muhlhausen, Ph.D., and Paul Kersey, "In the Dark on Job Training: Federal Job-Training Program Have a Record of Failure," Heritage Foundation *Backgrounders* #1774, July 6, 2004, www.heritage.org/Research/Labor/bg1774.cfm.
3. David B. Muhlhausen, "Congress Spends Billions on Ineffective Job-Training Programs," Heritage Foundation *Backgrounders* #1597, October 1, 2002, www.heritage.org/Research/Labor/bg1597.cfm.
4. James Heckman, "What Should Be Our Human Capital Investment Policy?," *Fiscal Studies* (1998), vol. 19, no. 2, pp. 110-111.
5. *Ibid.*, pp.108-112.
6. As quoted in Muhlhausen and Kersey.
7. *Ibid.*
8. Cited in "Jobs Pay Poorly," *New York Daily News*, February 2, 1987, per Michael Tanner, "Ending Welfare As We Know It," Cato Institute *Policy Analysis* No. 212, July 7, 1994, www.cato.org/pubs/pas/pa-212.html.
9. *Ibid.*
10. This portion of the Employment Security Commission budget includes the following services related to job training and placement: "Maintain 106 office to provide effective job-matching service for persons seeking employment and for employers seeking workers" and related services; "Meet employment needs of veterans who may need vocational rehabilitation, training or retraining" and related services; "Targeted job seekers are provided referrals to and enrolled in job training programs" and receive various assistances; and "Provide additional transition assistance for targeted individuals through policy based federal programs such as Trade Readjustment Assistance [which includes several training benefits] and Disaster Unemployment Assistance programs." Not included here are services to determine liability for unemployment insurance taxes of all employers and collect those taxes; to process claims for unemployment insurance benefits; to provide resolution for all appeals and adjunction issues surrounding UI claims; to collect, organize and disseminate N.C. labor market information; and to provide administrative assistance to the above services by reviewing current practices, streamlining, etc.
11. *The North Carolina State Budget, 1997-99*, pp. X-86, X-89-90. Those outcome data are no longer published in more recent state budgets.
12. *Ibid.*, pp. X-131-32.
13. *The North Carolina State Budget, 2007-09*, Vol. 3, p. 216.
14. Charles T. Calstrom and Christy D. Rollow, "Government-Subsidized Training: A Plan for Prosperity?," Federal Reserve Bank of Cleveland, May 15, 1998.
15. Robert Rector, "'Poverty' in America," *New York Post*, August 30, 2007, www.nypost.com/seven/08302007/postopinion/opedcolumnists/poverty_in_america.htm.
16. See Prof. E. Frank Stephenson's discussion of poor decision-making and poverty at the economics blog Division of Labour, divisionoflabour.com/archives/001809.php. Stephenson references the National Bureau of Economic Research's *Working Paper* "Poverty in America: Trends and Explanations" by Hilary Hoynes, Marianne Page, Ann Stevens (NBER *Working Paper* No. 11681, October 2005).
17. Kay S. Hymowitz, "Job Training That Works," *Wall Street Journal*, February 13, 1997; Hymowitz cites research by William Julius Wilson, who "interviewed 179 Chicago-area firms offering entry-level jobs [and] found that only 12% of employers said a lack of job skills was a problem for inner-city applicants. They were far more likely to cite a lack of work ethic (37%), lack of dependability (17%) or bad attitude (17%)."
18. Home page for STRIVE, www.strivenational.org/program.html. The "First Step" section is instructive in understanding STRIVE's approach; it features STRIVE President and CEO Rob Carmona addressing new program participants, beginning with (emphasis in original), "*Life ain't fair. And furthermore, SOCIETY OWES YOU NOTHING. So get used to it.*"
19. *Ibid.* There is one STRIVE program in N.C. according to the site; it is in Greenville.
20. "StepUP Ministry's Jubilee Jobs Marks 500th Job Placement: Program makes dramatic improvement on area families, employers," press release, July 10, 2007, www.step-up.us.
21. *Ibid.*
22. StepUp web site, "History," www.step-up.us/about_history.php.
23. *Ibid.*