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# Critical Factors Affecting Success of Retraining Welfare Recipients

David P. Seibert

*Eastern Illinois University*

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Author

CRITICAL FACTORS AFFECTING SUCCESS OF

RETRAINING WELFARE RECIPIENTS

(TITLE)

BY

David P. Seibert

THESIS

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
FOR THE DEGREE OF

Master of Arts in Economics

IN THE GRADUATE SCHOOL, EASTERN ILLINOIS UNIVERSITY  
CHARLESTON, ILLINOIS

1973

YEAR

I HEREBY RECOMMEND THIS THESIS BE ACCEPTED AS FULFILLING  
THIS PART OF THE GRADUATE DEGREE CITED ABOVE

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## INTRODUCTION

The purpose of this paper is to report on research that was done in an area of manpower development programs in which little analysis has been done. During the last decade there were many developments in the area of federal manpower programs. Two of these developments were the Manpower Development and Training Act (MDTA) and the Work Incentive Program (WIN). They provide training for new workers as well as retraining for workers displaced by technology. This paper will try and show that graduates of the WIN program are financially more successful than those of the MDTA program. Also, this paper will test eight variables to determine upon what the success of public aid recipients is dependent.

Chapter I is a brief history of vocational education and retraining programs in the United States. The development of, as well as the reason for, vocational education and retraining are discussed along with a review of the amounts of money spent on vocational education.

Chapter II deals exclusively with the Manpower Development and Training Act. First, there is a short history of MDTA followed by a discussion of institutional training and on-the-job training. A summary of the objectives of the MDTA program and a review of MDTA studies dealing with the social costs and benefits of MDTA programs are also included in this chapter.

Chapter III is a summary of the Work Incentive Program. In this chapter the history of the WIN program is discussed along with the responsibilities of the Department of Health, Education and Welfare (HEW) and the Department of Labor (DOL) in promoting the program. The final section of this chapter outlines new changes in the WIN program.

Chapter IV is concerned with the statement of the hypotheses to be tested in this paper and the source and type of data that was used in the tests.

Chapter V is the presentation of the findings obtained from the various statistical tests that were made.

Chapter VI is the concluding chapter and has some final comments on the findings as well as suggestions for further research.



## CHAPTER I

### HISTORY OF TRAINING PROGRAMS

#### Vocational Education

The idea of vocational education has been with us since ancient times. Then, it was usually a father-son tradition and training was by observation and imitation. When the world began to change rapidly, especially after the industrial revolution, there was no guarantee that a son would follow his father's profession, so some system of training was necessary.

The Morrill Act of 1862 was the first Federal plan to help the vocational training system in America. The Morrill Act made land grants available to state colleges that were devoted to the agricultural and mechanical arts to enable them to provide liberal and practical education to the industrial classes. Not until after the Civil War were high schools of much importance to vocational education. They were strictly college preparatory schools and were not necessarily four-year institutions. When more and better high schools came into existence, colleges began upgrading their curricula. At this time a college education was comparable to a good present-day high school education. High schools gradually became four-year institutions because colleges gradually began upgrading their

curricula and demanding four years of high school for admission. As the colleges upgraded their studies, high schools had to fill the void left in vocational education when colleges moved into highly skilled and professional fields. For example, college courses in farming became agricultural science and mechanical arts became engineering. Therefore, high schools began to fill in at the intermediate levels.

Vocational education bills were passed in Congress every year between 1906 and 1913, but none were really satisfactory. The quality of American vocational education still lagged behind that of Europe. It wasn't until the Commission on National Aid to Vocational Education was formed in 1914 that a substantial move was made to help vocational education. Through the work of this commission came the Vocational Education Act of 1917 or the Smith-Hughes Act. This bit of legislation was meant to bring American training standards up to those of Europe. The Smith-Hughes Act allowed \$7 million annually for vocational education and this same amount is still allotted today. Prior to 1963 and the Vocational Education Act of that year, various other bills added \$40 million to the yearly sum for vocational education. Total 1963 Federal appropriations for vocational and technical education were over \$57 million.

The goal of vocational education has not been solely to supply industry with the amounts and types of skilled labor it needs. Vocational education also helps to eliminate unemployment problems. It

does this by providing skilled training at the high school level to young people who will soon be entering the job market. Because of our fast-paced society and neglect of minority groups, however, a new unemployment problem has arisen. Some groups of people, especially the ghetto poor and older workers, cannot obtain good vocational education and those already trained are losing their jobs because of technological changes in industry. Large numbers of people, therefore, are unemployed because they lack appropriate training.<sup>1</sup>

### Retraining

Structural unemployment problems were considered to be national problems by Congress in the 1960's. The "Holland Subcommittee on Unemployment and Impact of Automation," a part of the "U.S. Congress House of Representatives Committee on Education and Labor," confirmed that unemployment was the nation's most pressing problem. Even though industry, labor and local governments did have employment programs, the unemployment problem was too great for them to handle alone. The labor market, after all, is a national market and national leadership is required to meet its needs. The Holland Subcommittee also said that hard-core structural unemployment "appeared to be on the increase." With rising unemployment, measures needed to be taken on a nation-wide scale. Training and retraining were recognized as essential remedies

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<sup>1</sup>Facts in the preceding section taken from Grant Venn, Man, Education and Work (American Council on Education: Washington, D.C., 1964), pp. 38-61.

by the "Joint Economic Committee of Congress." Retraining the unemployed and especially the unemployed on welfare became a nation-wide priority.<sup>2</sup>

Retraining for welfare recipients made good sense because poverty, welfare and unemployment are closely allied. Welfare recipients have social and psychological problems that tend to add up causing them to be marginal workers. In March 1964, one out of every four unemployed persons was classified as poor. Members of poor families, no matter what the age group, were more likely to be unemployed than family members of nonpoor families. Among the heads of poor families, unemployment was three times higher than among the heads of other families. Family members of poor households where the head of the household was unemployed were subject to twice as much unemployment as the family members of nonpoor households whose head was unemployed.

During the 60's welfare agencies were ineffective in their attempts to employ the poor. Employment programs of welfare agencies were described by Ida R. Hoos as "substituting one kind of substandard status for another." Typical jobs obtained by welfare recipients, for example, motel maid, nurse aid, are actually a type of disguised unemployment because wages received from these jobs are not enough to meet current living standards. However, even though the number of welfare

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<sup>2</sup>Facts and quotations in this paragraph taken from Ida R. Hoos, Retraining the Work Force (Berkeley and Los Angeles: University of California Press, 1967), p. 195.

cases cancelled was low, and types of work obtained seemed unsatisfactory, intangibles such as self-confidence and experience were gained. Many seemingly demeaning jobs were not below the aspiration levels of trainees; thus, if the wage levels of these jobs were raised, the trainee could have become self-sufficient.<sup>3</sup>

Investment in human capital, such as manpower programs, is the reason for declines in poverty in the United States, says D. O. Sewell. According to Mr. Sewell, the remaining poverty in the United States is present because investment opportunities in human capital have been "thwarted."<sup>4</sup> Another reason, however, for lack of investment in human capital is less liquidity. Physical capital can be used as collateral and sold if the borrower defaults. However, because the investment in human capital will be embodied in the borrower, there is no collateral to sell if he defaults because he cannot be sold. For this reason investment in human capital must be financed from the resources of the investor and his family, which severely restricts people in the lower income brackets.

Public intervention in the area of investment in human capital has been promoted for three reasons. First, it could help improve the distribution of resources in the economy and thereby increase national income. Secondly, such investment leads to "external"<sup>5</sup> benefits for

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<sup>3</sup> Ibid.

<sup>4</sup> D. O. Sewell, Training the Poor; A Benefit-Cost Analysis of Manpower Programs in the U.S. Antipoverty Program (Kingston, Ontario: Queen's University, 1971), p. 1.

<sup>5</sup> External benefits would be any benefits resulting from the increased income and standard of living of the people receiving public funds.

society as well as benefits for the individual. The third reason for increased interest in investment in human capital is that even though people feel there should be a more equal redistribution of income, it goes against the "Protestant Ethic" to merely give people money. This idea is reflected in the executive programs from the "War on Poverty" of the Johnson Administration up to and including Nixon's "Workfare" or Family Assistance Plan. It is easy to see why programs of education and vocational training which have a potential for bettering a person's earning ability are so important when the objective is to change people from poor to nonpoor "through their own efforts."<sup>6</sup>

Retraining is different from normal vocational training. Retraining grows out of a need at a certain place and time. Vocational training is more or less permanent while retraining programs are discontinued when their purpose is fulfilled.<sup>7</sup>

The Area Redevelopment Act (ARA) of 1961 was the beginning of employability programs. The ARA was enacted under pressure of mounting technological job dislocations. Over \$4.5 million was authorized under this act for vocational training of unemployed or underemployed persons in specific "redevelopment areas." The ARA was of limited importance, however, because funds were limited to "redevelopment areas,"

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<sup>6</sup>Quotations in this paragraph taken from Sewell, Training the Poor; A Benefit-Cost Analysis of Manpower Programs in the U.S. Anti-poverty Program (Kingston, Ontario: Queen's University, 1971), p. 3-4.

<sup>7</sup>Einar Hardin and Michael E. Borus, The Economic Benefits and Costs of Retraining (Lexington, Massachusetts: D. C. Heath and Company, 1971), p. 3.

and support allowances were limited to only sixteen weeks.<sup>8</sup> The Community Work and Training Program (CWT) of 1962 was the beginning of nation-wide employability programs.<sup>9</sup> The CWT program was optional for the states. Federal funds were not supplied directly, but it was the beginning of Federal involvement in welfare recipients employability problems.

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<sup>8</sup>Grant Venn, Man, Education and Work (American Council on Education: Washington, D. C., 1964), p. 119.

<sup>9</sup>Illinois Department of Public Aid, WIN Phase II; County Department Manual (Springfield, Illinois, 1971), p. 5.

## CHAPTER II

### MANPOWER DEVELOPMENT AND TRAINING ACT

#### History of MDTA

The Manpower Development and Training Act (MDTA) of 1962 was next in the line of Federal employability programs and grew to be bigger and more complex than either ARA or CWT and quickly absorbed them. The MDTA courses could be established in all labor markets and they could last up to fifty-two weeks.<sup>10</sup> The original MDTA act was comprised of three titles.<sup>11</sup> Titles II and III were to last three years. Title I was permanent and made the Secretary of Labor responsible to the President for an annual report. The Secretary's report was to cover "labor market balances and imbalances, impact of automation and technology and the occupational structure of the work force." Title II concerns the unemployed and underemployed with provisions that included those sixteen to twenty-two years old but only those nineteen to twenty-two years old were eligible for training allowances. Skill surveys and analyses of supply and demand were also part of this act. Title III states that the Secretary of Labor

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<sup>10</sup>Hardin and Borus, The Economic Benefits and Costs of Retraining, p. 6.

<sup>11</sup>Hoos, Retraining the Work Force, p. 197.



must make reports to Congress of MDTA's progress. More important, the Secretary of Labor was given the power to enter into agreements with qualified groups to start on-the-job training programs.

December 1963 amendments to MDTA broadened youth-training allowances and authorized special retraining classes for them, plus relaxing some requirements for adults as to how much they could earn during training and raised the training allowances. Also, the 1963 amendments permitted training of the functionally illiterate.<sup>12</sup> Furthermore, the 1963 amendments authorized payment of allowances over a greater length of time so trainees could obtain minimal educational skills.<sup>13</sup>

The Manpower Act of 1965 increased allowances again and allowed reimbursements for commuting costs. In 1965 MDTA obtained permanent and fiscal stability and officially absorbed the ARA.<sup>14</sup> New amendments in 1966 added special courses for older workers, increased emphasis on hard-core unemployed and experimental courses for inmates of correctional institutions. The 1968 amendments extended retraining programs until 1972 and called for use of manpower training skill centers.<sup>15</sup>

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<sup>12</sup>Hardin and Borus, The Economic Benefits and Costs of Retraining, p. 7.

<sup>13</sup>Hoos, Retraining the Work Force, p. 202.

<sup>14</sup>Hardin and Borus, The Economic Benefits and Costs of Retraining, p. 7.

<sup>15</sup>Ibid.

Locally, MDTA revolves around the public employment office and the vocational school system. In starting MDTA programs, the employment office first determines what occupations are in need of new employees and makes referrals to training courses.<sup>16</sup> They then pay the trainee's training and subsistence allowances and provide job development, placement and follow-up services. Recognizing the need for income maintenance was a first for MDTA.<sup>17</sup> Also, experience and family status were introduced by MDTA as criteria for eligibility.<sup>18</sup> The MDTA was the beginning of a "partnership" between the U.S. Department of Labor and the U.S. Department of Health, Education and Welfare.<sup>19</sup> The role of HEW in MDTA programs is to provide training facilities and instructors, develop training curricula and methods, and evaluate the progress of the trainees. Welfare agencies have had their powers taken away from them in manpower fields.<sup>20</sup> This was done for two reasons. First, Congress did not like the progress of the programs started under 1962 legislation and the 1964 Economic Opportunity Act that were run entirely by welfare agencies. Secondly, Congress wanted all manpower programs run by the same agency. There was some

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<sup>16</sup>Hoos, Retraining the Work Force, p. 197.

<sup>17</sup>Ibid., p. 198.

<sup>18</sup>Hardin and Borus, The Economic Benefits and Costs of Retraining, p. 7.

<sup>19</sup>Hoos, Retraining the Work Force, p. 197.

<sup>20</sup>Weber, Cassell and Ginsburg, ed., Manpower, p. 146

discontent over this change because some people thought that only welfare personnel could really handle and deal with welfare recipients and their problems; that strictly focusing on employment was not good; and finally, that welfare recipients would have to deal with still another set of counselors.<sup>21</sup>

### Financing of MDTA

In August of 1962 the first funds were allocated to MDTA and amounted to \$161,865,353. By 1965, the total amount allocated to MDTA was over \$650 million. During 1964 and 1965 half of the funds went to training allowances and the rest went to costs of equipment rental, supplies and teachers' salaries. Distribution of funds between states was uneven, however. Sixteen states accounted for 71 percent of all the money allocated to MDTA. By 1966, 450,000 persons had been approved for occupational training. Of this number, 387,000 were institutional and 62,000 were enrolled in on-the-job training. By 1965, 600 specific areas were covered in MDTA training programs.<sup>22</sup>

The MDTA was originally created to retrain heads of households who were experienced but displaced because of technological and economic change.<sup>23</sup> Besides helping the displaced, long-term employed

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<sup>21</sup>Ibid.

<sup>22</sup>Facts about MDTA in this paragraph taken from, Hoos, Retraining the Work Force, p. 201.

<sup>23</sup>Garth L. Mangum, Contributions and Costs of Manpower Development and Training (a Joint Publication, Ann Arbor: The University of Michigan, Detroit: Wayne State University, and Washington, D. C.: National Manpower Policy Task Force, 1967), p. 7.

adult, MDTA has tried to help with other problems, such as the school dropout and the competitively disadvantaged. However, it has not met the need of the economy. It is called a "Band-Aid" program because it is remedial in nature, reaching only those that the education system cannot.<sup>24</sup> The MDTA has succeeded only in helping the better-prepared poor, those with an education past the eighth grade and the more motivated. It has not helped those with eighth grade education or less, older workers, rural unemployed and underemployed and the ghetto poor. In the beginning employment service interviewers chose only those applicants with the most potential to refer to training programs. "Creaming" was done to give MDTA a good name so it could be expanded.<sup>25</sup> Garth L. Mangum points out that many at the local level complained that MDTA was becoming "just another poverty program."<sup>26</sup> Local officials would settle for meeting labor shortages and upgrading the labor force. They hoped the disadvantaged would be included in the total population served.

The Act originated a new procedure in the area of training. All training classes were to be newly developed, and no one could be referred to an already existing course.<sup>27</sup> These new training course requirements of MDTA were good in principle because they allowed for more personalized training programs. They did not work in fact,

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<sup>24</sup>Ibid., p. 73.

<sup>25</sup>Hoos, Retraining the Work Force, p. 202.

<sup>26</sup>Mangum, Contributions and Costs of Manpower Development and Training, p. 7.

<sup>27</sup>Hoos, Retraining the Work Force, p. 198.

however, because there was no way to be sure a training program produced everything it was supposed to produce.<sup>28</sup>

### Institutional and OJT Training

Although institutional training was found to be better than on-the-job training (OJT) for particular occupations, OJT was better in an overall comparison.<sup>29</sup> Earnings levels of institutionally-trained men were greater than OJT-trained men, but because costs of institutional training were higher than OJT, the cost-benefit ratios for OJT were better.<sup>30</sup> On-the-job training also proved to be the best training program as well as the best overall program for women.<sup>31</sup> Mangum suggests expanding the OJT programs and making sure that new slots go to those that employers would not otherwise hire.<sup>32</sup> On-the-job training is administered by the U.S. Department of Labor's Bureau of Apprenticeship and Training to try and gain labor's trust.<sup>33</sup> Organized labor was originally against OJT because they felt that the supply of skilled labor was adequate, and an oversupply would force wages down.<sup>34</sup> Private employers were against OJT originally because they

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<sup>28</sup>Ibid.

<sup>29</sup>Sewell, Training the Poor; A Benefit-Cost Analysis of Manpower Programs in the U.S. Antipoverty Program, p. 109.

<sup>30</sup>Ibid.

<sup>31</sup>Ibid., p. 108.

<sup>32</sup>Mangum, Contributions and Costs of Manpower Development and Training, p. 85.

<sup>33</sup>Hoos, Retraining the Work Force, p. 200.

<sup>34</sup>Ibid.

were afraid of the governmental control needed to make it work.<sup>35</sup> Vocational educators also objected to OJT because they said it was an intrusion of the Secretary of Labor into the field of education.<sup>36</sup> On-the-job training has benefits that institutional training does not have.<sup>37</sup> On the average, OJT results in larger increases in average earnings levels. In spite of the objections to it, OJT was supposed to be the major method of retraining for those threatened by skill obsolescence or less-than-full time work. But because of the ease of starting institutional training, OJT was neglected during the beginning of MDTA and also during subsequent years.<sup>38</sup>

#### Objectives of MDTA

Certain potential and identifiable objectives of MDTA can be outlined as follows:

- (1) Facilitating employment of the unemployed;
- (2) Reducing poverty;
- (3) Lessening inflationary pressures;
- (4) Meeting labor shortage;
- (5) Upgrading the labor force;
- (6) Revamping traditional institutions.<sup>39</sup>

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<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

<sup>37</sup> Sewell, Training the Poor; A Benefit Cost Analysis of Manpower Programs in the U.S. Antipoverty Program, p. 109.

<sup>38</sup> Hoos, Retraining the Work Force, pp. 199-200.

<sup>39</sup> Mangum, Contributions and Costs of Manpower Development and Training, p. 7.



Objective number five, however, has never become a specific objective in practice. Keeping these objectives in mind, we can see four policy questions that must be answered in determining the future of the MDTA program. They are as follows:

- (1) Should the program objectives emphasize upgrading the labor force or rehabilitating the disadvantaged;
- (2) What are the relative advantages and what should be the balance between institutional training and OJT;
- (3) What should be the relative federal and state roles in policy and operation;
- (4) Is a permanent program needed and what should be its nature and size?<sup>40</sup>

#### Review of MDTA Studies

Various surveys and studies have been done to try and answer some or all of the above questions. For example, a survey by Ribich and the Institute for Defense Analysis shows that expenditures for vocational training do more to increase earnings potential of the poor than does general education.<sup>41</sup> Many social benefit-cost analyses have been done to shed some light on training programs.

In West Virginia, Cain and Stromsdorfer studied men and women graduates of an MDTA training program.<sup>42</sup> Net present value or benefit of training over a ten-year period, using both ten percent and five percent discount rates, were calculated and compared to the costs for

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<sup>40</sup> Ibid.

<sup>41</sup> Sewell, Training the Poor; A Benefit-Cost Analysis of Manpower Programs in the U.S. Antipoverty Program, p. 5.

<sup>42</sup> Einar Hardin, "Benefit-Cost Analysis of Occupational Training Programs: A Comparison of Recent Studies," in Benefit-Cost Analysis of Manpower Policies, ed. by G. G. Somers and W. D. Wood (Queen's University at Kingston, Ontario: Industrial Relations Centre, 1969), p. 112.

men, women, and the average graduate using the ten percent discount rate. Using the five percent discount rate gave \$3,985 for men, \$80 for women and \$1,990 for the average graduate. Costs per trainee were \$918 for a man, \$526 for a woman and \$787 for the average graduate. Cain and Stromsdorfer report benefit-cost ratios of 10.5 for men, 2.7 for women and 9.3 for the average graduate.

Stromsdorfer, using the same data but different analysis techniques, obtained economic benefits of \$828 for men and \$336 for women.<sup>43</sup> These figures, according to Stromsdorfer, remained constant for the entire service life of the trainee. Using the above cost estimates, Stromsdorfer calculated rates of return of 90 percent for men and 64 percent for women, but did not give any benefit-cost ratios.

In Michigan, Hardin and Borus studied institutionally and occupationally-oriented training programs.<sup>44</sup> The study was designed to measure effects of training on (1) national product, (2) disposable income of trainees, and (3) government outlays and receipts. The Borus and Hardin study is the only study to make estimates on what impact class length had on results of training. They determined that class length did have an effect on benefit-cost ratios. Their findings showed that short courses had better benefit-cost ratios than did long courses. Using discount rates of ten percent and four percent with a service life of ten years, short class benefit-cost ratios were 4.2 and 5.5 respectively, while benefit-cost ratios for long classes

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<sup>43</sup>Ibid.

<sup>44</sup>Ibid., pp. 113-116.



were small or negative. Additional training did not increase earnings enough to offset large increases in costs of longer training courses. The overall benefit-cost ratio for Michigan was 1.2 using a ten-year service life and a ten percent discount rate.

After reweighing in accordance with the estimated composition of Michigan training according to course duration, Hardin and Borus get an increase in the benefit-cost ratio of 1.5. As a conclusion to their study, Hardin and Borus made several recommendations for future training programs:

- (1) Continue occupational training of adult workers.
- (2) Emphasize short classes rather than long ones.
- (3) Expand training in sub-groups, e.g., race, sex, education.
- (4) Spend more money on short courses for women, whites, those with few years of schooling, low earners, welfare recipients, health care and miscellaneous sales and service occupations rather than on factory or auto repair occupations.
- (5) Contract medium or long training courses regardless of other considerations.<sup>45</sup>

These recommendations would also hold for training programs in other states say the authors. Finally, the authors feel that even though there have been changes in tax rates, training allowances, organization and administration or programs, they believe the basic relationships are the same today. They also think that the introduction of

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<sup>45</sup>Hardin and Borus, The Economic Benefits and Costs of Retraining, pp. 188-190.

on-the-job training and other types of new training techniques will not make their findings obsolete because institutional training is still a major part of MDTA.

In another benefit-cost study done by Borus in Connecticut, he used several different assumptions concerning the use of skills learned in the courses to calculate a broad range of ratios. Benefit-cost ratios were then calculated using a five percent discount rate and a ten-year service life, adjusted for out-migration from the training-related occupation, and were found to range from 73.3 to 137.3 (sic). Short classes were found to be more attractive to the trainees because they required less capital investment by the trainees.<sup>46</sup>

In Massachusetts, Page studied 907 trainees and computed benefit-cost ratios for them. Using a ten percent discount rate and a 35-year service life, he obtained a ratio of 6.2.<sup>47</sup>

Einar Hardin attempts to put all the studies on a comparable basis. To do this he makes three assumptions:

- (1) The annual benefits in the first year after training remain unchanged for a total of ten years then become zero;
- (2) Social discount rate used is ten percent;
- (3) Social gains estimated as differences in earnings between trainees and non-trainees, disregarding vacuum, displacement and multiplier effects.<sup>48</sup>

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<sup>46</sup>Hardin, Benefit-Cost Analysis of Occupational Training Programs: A Comparison of Recent Studies, p. 112.

<sup>47</sup>Ibid.

<sup>48</sup>Vacuum effect: job vacancy left when a worker moves to a new job; Displacement effect: new workers taking jobs of older workers; Multiplier effect: new jobs resulting from the filling of one job vacancy. Ibid., pp. 113-114.

Two alternative assumptions were used to make Borus' results comparable. Alternative I was trainees who use training gain \$500; those who do not use training gain nothing, and the probability of a trainee using training is 0.67, thus benefits to society annually will be \$335. Alternative II was that there is a 0.67 chance that an enrollee will use training; only graduates are assumed to use training; the dropout rate is ten percent; and the social cost of training is \$346, which was taken from Hardin and Borus' study for short classes. Earnings data for non-trainees and dropouts comes from Borus' study. Table I shows the results.<sup>49</sup>

Sewell believes that the increase in salaries obtained by trainees over non-trainees may have been due to the job placement efforts of MDTA officials and not due to the training, because MDTA officials are obligated to find jobs for completers.<sup>50</sup> He also feels that women brought the rating of institutional training down because they lacked motivation.<sup>51</sup>

According to Sewell, if the objective of training is to raise the earnings level of women, they should go to OJT, because if they participate, it can be assured they are committed to the labor force more so than women who undertake institutional training.

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<sup>49</sup>Hardin, Benefit-Cost Analysis of Occupational Training Programs: A Comparison of Recent Studies, p. 113.

<sup>50</sup>Sewell, Training the Poor; A Benefit-Cost Analysis of Manpower Programs in the U.S. Antipoverty Program, p. 108.

<sup>51</sup>Ibid., p. 109.

TABLE 1

ECONOMIC BENEFITS AND COSTS FOR SOCIETY  
ATTEMPTED RECONCILIATION OF RESULTS<sup>a</sup>

Author And Group	Annual Benefits Per Trainee	Initial Cost Per Trainee	Annual Benefits In Percent Of Cost	Benefits Costs
<b>Cain and Stromsdorfer</b>				
Men	\$1,008	\$ 918	108.8	6.7
Women	192	527	36.4	2.2
Both Sexes	736	787	93.5	5.7
<b>Stromsdorfer</b>				
Men	828	918	90.2	5.5
Women	336	527	63.8	3.9
<b>Hardin and Borus</b>				
60-200 Hours	976	346	282.1	17.3
201-1,920 Hours	-57	1,665	-3.4	(-0.2)
All Course Lengths	251	1,272	19.7	1.2
Rewighted <sup>b</sup>	316	1,289	24.5	1.5
<b>Borus</b>				
Alternative I	335	(346)	(96.8)	(5.9)
Alternative II	818	(346)	(236.4)	(14.5)
Page	446	698	63.9	3.9

<sup>a</sup>Based on a discount rate of 10 percent and a 10-year service life.

<sup>b</sup>Weights based on the estimated distribution of Michigan trainees according to course length (60-200, 201-600, 601-1200 and 1,201-1920 hours).

Because of procedures used to select only the best applicants for training (referred to as creaming), only those most likely to succeed were chosen for MDTA projects. Thus, conclusions drawn from these benefit-cost analyses are of limited interest to anti-poverty programs.<sup>52</sup> Also, Sewell feels that past benefit-cost analyses are suspect as far as making policy decisions from them because data used in the analyses were taken from time periods before substantial changes were made in the programs.<sup>53</sup>

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<sup>52</sup>Ibid., p. 7.

<sup>53</sup>Ibid., p. 6-7.

## CHAPTER III

### WORK INCENTIVE PROGRAM

#### History of WIN

The most recent retraining program for welfare recipients came about in 1967 as a result of congressional amendments to the Social Security Act. The new program was called the Work Incentive Program (WIN).<sup>54</sup> The WIN program developed from a number of different approaches to training and employing public aid recipients.<sup>55</sup> Title V of the Economic Opportunity Act of 1964 outlined the basic program that is part of the WIN program. Congress enacted Law 90-248 on January 2, 1968 called the "1967 Amendments to the SSA" which established the Work Incentive Program.<sup>56</sup> The Work Incentive Program is the most ambitious plan for rehabilitating and employing welfare recipients in the history of the AFDC<sup>57</sup> program.<sup>58</sup> The bill creating the WIN program did not meet with unanimous acceptance when it was passed. The "thirty and a third" provision, for example, was more

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<sup>54</sup>Arnold Weber, Frank Cassell and Woodrow L. Ginsburg, ed., Public-Private Manpower Policies (Madison, Wisconsin: Industrial Relations Research Association, 1969), p. 145.

<sup>55</sup>Illinois Department of Public Aid, WIN, p. 5.

<sup>56</sup>Ibid., p. 7.

<sup>57</sup>Aid to Families of Dependent Children.

<sup>58</sup>Weber, Cassell and Ginsburg, ed., Public-Private Manpower Policies, p. 145.



liberal than the president had asked for in his original request.<sup>59</sup> He had asked for only a \$50 exemption per family. The House committee studying the WIN program in 1967 said that WIN should reverse the trend of increasing welfare roles, although it would be costly at first. In fiscal 1969 the \$30 incentive payment cost \$129 million and the "thirty and a third" provision cost \$20 million.

The Senate agreed that the bill was needed but changed it substantially. The bill then went to conference where it was put into its final form. Wilbur Mills (D. Ark.), chairman of the House Ways and Means Committee, said he was very much in favor of the bill because it was a change from the dole system.<sup>60</sup> In the Senate, on the other hand, liberals were against the bill. They disagreed with provisions in the public assistance section agreed to by the conferees. Fred R. Harris (D. Okla.), threatened to lead a filibuster to put off action until early 1968. The liberals were outmaneuvered on December 14th and the bill passed.<sup>61</sup>

Emphasis in the WIN program is on moving recipients from the welfare roles into self-support.<sup>62</sup> The Work Incentive Program introduced, for the first time, incentives to participate and accept

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<sup>59</sup> Congressional Quarterly Almanac, Vol. VXXIII (Washington, D. C.: Congressional Quarterly Service, 1967, pp. 902-903.

<sup>60</sup> Ibid., p. 909.

<sup>61</sup> Ibid., p. 913

<sup>62</sup> Weber, Cassell and Ginsburg, ed., Public-Private Manpower Policies, p. 149.

employment. Incentives included \$30 cash payments monthly and a thirty and a third income disregard feature.<sup>63</sup> The WIN program also provided sanctions for those who were supposed to participate but did not. Manpower services are more extensive for the WIN program than for MDTA<sup>64</sup> because the people trained will need more help since they are more disadvantaged. Most WIN trainees, though, will end up in the same type of programs as MDTA trainees.<sup>65</sup> Leonard J. Hausman does not believe WIN will achieve fantastic results. He does believe, however, that it will make trainees more employable. Hausman feels that some WIN graduates will earn more than MDTA graduates because of "novel" training programs, like the "New Careers" program, preparing them for highly paid sub-professional jobs and highly paid OJT programs.<sup>66</sup>

Department of Health, Education and Welfare (HEW) and Department of Labor (DOL) responsibilities

The Department of Health, Education and Welfare is responsible for pre-referral supportive services, training expenses and continuing social services while DOL is the program agent. The Department of Labor is responsible for manpower and employment services, which are

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<sup>63</sup> Illinois Department of Public Aid, WIN, p. 7.

<sup>64</sup> Weber, Cassell and Ginsburg, eds., Public-Private Manpower Policies, p. 149.

<sup>65</sup> Ibid.

<sup>66</sup> Ibid.



education, training, placement and follow-up; but because of the relationship between HEW and DOL, few opportunities for participants, and deficiencies in the preparation and activities within the program itself, the movement from AFDC to WIN to employment has not been smooth.

The WIN program prior to 1971 was disappointing because there were fewer than expected placements, a low reduction in grant levels due to employment, and a low reduction in AFDC recipients.<sup>67</sup>

#### New Changes in WIN

To correct WIN deficiencies, Senator Talmadge introduced the 1971 amendments that became Public Law 72-223 on December 28, 1971.<sup>68</sup> The amendments introduce an important change by requiring inter-agency participation in both planning and operational functions. The "new" WIN program relies very strongly on cooperation between agencies. Highlights of the 1971 amendments are listed in Table 2.<sup>69</sup>

Congress increased emphasis on employment by mandating participation in areas where there were significant numbers of AFDC recipients.<sup>70</sup> New to manpower programs is the opportunity for AFDC mothers to participate.<sup>71</sup> The treatment of mothers in the WIN program is

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<sup>67</sup> Illinois Department of Public Aid, WIN, p. 7.

<sup>68</sup> Ibid., p. 8.

<sup>69</sup> Ibid.

<sup>70</sup> Ibid., p. 7.

<sup>71</sup> Weber, Cassell and Ginsburg, ed., Public-Private Manpower Policies, p. 148.

TABLE 2

## HIGHLIGHTS OF 1971 AMENDMENTS

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- (1) Insure that welfare recipients are provided the services they need, including child care, to participate effectively in the Work Incentive Program.
  - (2) Emphasize employment-based rather than institutional training under the program.
  - (3) Relate institutional training much more closely to actual jobs available.
  - (4) Set priorities for participation in the Work Incentive Program, giving high priority to mothers who volunteer to participate in the program.
  - (5) Ease the fiscal burden on the states by increasing Federal matching from 80 to 90 percent for expenses under the Work Incentive Program and from 75 to 90 percent for child care, family planning, and other services needed to permit an individual to participate in the WIN program. Often, states will be able to put up their entire 10 percent matching in kind, so this increase in the matching percent should enable them to make significant progress in developing these needed services.
  - (6) Institute an orderly registration procedure for participation in the WIN program and make a number of other changes to improve the operation of the program.
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handled locally but is similar to the treatment they normally receive. The most important asset to the WIN program is the opportunity for local administrators to carry it out.<sup>72</sup>

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<sup>72</sup>Ibid., p. 147.

## CHAPTER IV

### HYPOTHESES AND DATA

#### Hypotheses

At first it would seem that the MDTA program would provide a welfare recipient with the best chance to become self-sufficient, if for no other reason than the MDTA program's being much more mature than the WIN program. The MDTA program has been around long enough to have established firm lines of communication between program officials, Washington, public aid agencies and the community. Likewise, the MDTA personnel should be well acquainted with the program and its complexities. From attractive benefit-cost ratios, presented in an earlier part of this paper, we have seen that the MDTA program has produced desirable results.

The WIN program is relatively new to the continuum of manpower programs emanating from Washington. Its newness should not hinder it, however, because its designers used the best parts of previous programs, as well as some new thoughts, in their attempt to make a successful manpower program. There are two main reasons, besides its formidable heritage, why the WIN program should produce better results for welfare recipients than the MDTA program. First, the WIN program is solely for those on public aid; secondly, it is a novel use of a team of counselors to help the public aid trainee.

Possibly the biggest asset this program has is the use of the team approach in providing services to the WIN participants. Each team is composed of five members, each with a specific duty to perform to help the public aid recipient in overcoming any barriers in his movement to self-sufficiency. The members of a WIN team are a manpower specialist, coach, counselor, work training specialist and team clerk. A member of this team unique to manpower programs is the coach. He is a resident of the local community, and his function is to see that the trainee adjusts to the little, and sometimes overlooked, obstacles to becoming work-oriented.

Because the WIN program is specifically a welfare recipient program and because of its unique team approach, it seems reasonable to believe that it would provide a welfare recipient with the best chance of successfully obtaining work and being better off financially than he would have been if he was solely dependent on public aid. This paper will test the hypothesis that the WIN program produces public aid recipient graduates who are financially more successful than public aid recipients who graduate from the MDTA program. Success for the purposes of this paper was measured by the ratio of income received from employment after completing training, compared to the public aid income the trainee would have received if he was solely dependent on public aid. Also, the hypothesis will be tested that success is dependent on a trainee's age, number of dependents, number of years he received public assistance before entering training, number of years of work experience he had before entering training, his marital status, race, sex, and finally, which program he completed.

Data

Data for this analysis was gathered from Illinois Department of Public Aid case records from St. Clair County in Southern Illinois. Two hundred cases were picked at random from WIN and MDTA files, 100 from each program. To eliminate the possible effect of changing unemployment rates in the county, only trainees completing training in 1968 and 1969 were chosen for use in this study. By doing this, all trainees chosen faced approximately the same unemployment rates when they entered the job market. All the names of trainees completing WIN training in 1968 and 1969 were placed on similar-sized slips of paper and placed in a container. The sample was chosen by drawing 100 names from the container. The same method was used to select the MDTA sample.

In order to investigate the above hypothesis, a measure of a welfare recipient's success, after completing training in either of the two manpower programs studied, was needed. To meet this need a ratio was devised that compares total income of a trainee after training to total income a trainee would receive if he were totally dependent on welfare for his income. This is a logical estimate of success because it measures how much better off financially a person is by working than by receiving public aid. A man would not be likely to take a job that paid less than what he could make on public aid because of the 100 percent tax rate on his earnings, and a woman would always be better off working because of the less than 100 percent tax rate on her earnings. The expected ratios for those obtaining jobs should be greater than one. A ratio of one means that the trainee did

not obtain a job and was still receiving public aid. Unexpectedly, there were ratios less than one. This is impossible to explain without interviewing the individuals involved. Possibly, pride in working for a living or case worker error was involved.<sup>73</sup>

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<sup>73</sup>To lighten their work loads some caseworkers will cancel male cases rather than explain consequences and alternatives to them and cancel female cases without explaining thirty and a third benefits.

## CHAPTER V

### INTERPRETATION OF DATA

#### Test of First Hypothesis

A one-way analysis of variance was used to determine if there was a statistically significant difference between the WIN trainees' success ratios and the MDTA trainees' success ratios. The F ratio computed was 0.58 and was not significant at any level tested.<sup>74</sup> This means that there is no statistically significant difference between the success ratios of the two programs and, therefore, no difference between the success of WIN trainees and MDTA trainees. My hypothesis must then be rejected. It is interesting to note that the MDTA program not only placed more people in this sample in jobs--31 as compared to 28 for WIN--but also placed three trainees in jobs that resulted in success ratios less than one while WIN placed only two in such jobs. These, however, are not statistically significant differences.

#### Test of Second Hypothesis

To examine what factors affect the success of a WIN or MDTA program trainee that completes training, variables were chosen that

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<sup>74</sup>0.5 percent, 1 percent, 2.5 percent and 5 percent levels used throughout study.



were thought to have a strong influence on these people. Stepwise linear regression analysis was used to determine the effect of these variables on the success of the sample of trainees used previously. The success ratio mentioned earlier was used as the dependent variable. The success ratio of a trainee is thought to be dependent on trainee's age (A), number of dependents (D), the number of years a trainee receives public assistance before entering training (Y), number of years of work experience the trainee had before entering training (W), the trainee's marital status (M), his race (R), his sex (S), and finally, which program the trainee completed (C).

The last five variables were treated as dummy variables. A one-way analysis of variance was made for each variable to determine if there was a statistically significant difference between the sample drawn from WIN and that drawn from MDTA for that variable. Two variables were determined to have significant differences between the sample populations. The first was previous employment history with an F ratio of 10.05 and was significant at all levels tested. The second was sex with an F ratio of 14.45 also significant at all levels tested.

It is interesting to note that the WIN program trainees averaged more work experience than the MDTA program trainees. Since data was taken from the beginning of the WIN program's life, it is reminiscent of criticisms of MDTA in its infancy. The point could be made that WIN was involved in "creaming", and if it had actually lived up to its philosophies, it would not have fared as well as it



did in this test. Of course, from the data presented here, there is no way of confirming that the WIN officials were "creaming."

The second variable with a statistically significant difference between samples tested was sex. The MDTA program, it seems, had a substantially higher number of women than did the WIN program. In the sample used here, 59, or over half, of MDTA trainees were women, while only 33 trainees were women in the WIN sample. The reason for this is twofold. First, all able-bodied men receiving assistance and classified as the father or head of the family must, by law, be referred to WIN; and secondly, women have difficulty finding child care that WIN officials feel is adequate. To be referred to MDTA there are no child care requirements that must be met, but there are rather strict requirements for child care that must be met before a woman with children can be referred to WIN.

Taking note of the above differences between the populations, the actual testing of the hypothesis gave totally unexpected results.

(Shown here with the expected signs of the variables in parentheses.)

$$S. R. = f[\bar{A}(-), D(-), Y(-), W(+), M(+), R(+), S(-), C(+)]$$

A - Age

D - Number of dependents

Y - Number of years a trainee received public assistance before entering training

W - Number of years of work experience the trainee had before entering training

M - Marital status

R - Race

S - Sex

C - Program trainee completed

The first variable introduced was public aid history (Y) and its  $t$  test was significant at the five percent level. However, the F ratio for the equation was not significant at any levels tested. Public aid history continued to be significant at the five percent level up to and including step four, but none of the additional variables were significant at the levels tested, and likewise, the F ratios for all remaining equations were not significant. A final observation in this analysis is that race was not entered into the computation. Its F level to enter was below the pre-set level provided for in the computer program. Therefore, this hypothesis must also be rejected.

The data collected lent itself to two more tests that were done out of curiosity. First, the hypothesis was tested that white trainees were more successful than black trainees. The success ratios for those obtaining jobs were divided into two groups by race. A one-way analysis of variance was used to determine if there was a difference. The computed F ratio was 0.04 and was not significant at any level tested, meaning that there was no discrimination because of race in this sample. Second, the hypothesis that men are more successful than women was tested. As before, those obtaining jobs were divided into two groups, this time by sex. Again, a one-way analysis of variance was used to determine if there was a difference between the two groups. The F ratio was 1.40 and was not significant at any level tested. This hypothesis must also be rejected since there were no differences between the success of men and women.

Please refer to Appendix for complete results.

## CHAPTER IV

### CONCLUSION

#### Final Comments

The interpretation of the data in Chapter V led to the rejection of both major hypotheses tested in this paper. This means that graduates of the WIN program were not more successful financially than graduates of the MDTA program as was expected. There could be at least two reasons for this to occur. First, the team approach used by WIN is not really a better way to treat welfare recipients, or secondly, the number of highly skilled and high-paying jobs that WIN graduates were qualified for were few, and admission to them closed to welfare recipients. Graduates of WIN, then, had to compete with MDTA graduates for jobs that both were equally qualified for, and, thus, superior training programs made little difference. Further tests would have to be conducted to determine the true reason why the WIN program graduates were not more successful than MDTA graduates.

The rejection of the second hypothesis is equally difficult to explain. The eight independent variables used were chosen because it was thought that they would exert a strong influence on the trainee's motivation. Statistically, at least, no strong influence was present.

The insignificance of the variable representing the program which the trainee completed did support the findings in the test of the first hypothesis although there was no difference in success achieved by either WIN or MDTA graduates. Again, however, it is impossible to tell why there was no difference between the two programs. The other variables and why they did not contribute to the trainee's success is unknown. There must be some other factor or factors that affect motivation. Possibly, motivation is a separate entity and, at least for the present, is impossible to quantify.

#### Suggestions for Further Research

This study was done in a small area of just one county in the state. The first suggestion for further study presented here, therefore, would be to expand the study to include the entire state. This would give results that would be more appropriate for analyzing a national program. Another item of importance to all governmental projects is cost. The question of how costs of the WIN program compare to the benefits of such a program must eventually be answered. If the costs of the WIN program are greater than those of the MDTA program while the benefits remain about the same, it would be wise to invest more money into the program with the better benefit-cost ratios. A final suggestion for further research is that only trainees that graduated after the Talmadge Amendments went into effect be used in any future studies.

## APPENDIX

SUMMARY OF ANALYSIS OF VARIANCE BETWEEN THE SUCCESS RATIOS  
FOR WIN AND MDTA TRAINEES

Treatment Group	WIN		MDTA	
Sample Size	100		100	
Mean	1.32		1.42	
Standard Deviation	0.94		0.91	
	Sum of Squares	DF	Mean Square	F Ratio
Between Groups	0.5	1	0.5	0.58
Within Groups	170.34	198	0.8	
Total	170.84	199		

## SUMMARY OF STEPWISE LINEAR REGRESSION ANALYSIS

Sample Size	200	
Variable	Mean	Standard Deviation
1. Success Ratio (SR)	1.37	0.93
2. Age (A)	35.62	16.94
3. Number of Dependents (D)	3.4	1.87
4. Number of Years Received Public Aid Before Training (Y)	3.54	4.03
5. Number of Years of Employment Before Receiving Training (W) <sup>a</sup>	1.69	1.14
6. Marital Status (M)	1.11	0.78
7. Race (R)	0.58	0.49
8. Sex (S)	0.46	0.5
9. Program Completed (C)	0.50	0.50

<sup>a</sup>Number of years worked were grouped; 0 (under 1 year), 1 (1-2 years), 2 (3-9 years), 3 (over 10 years).

Step Number	Variable Entered And Its Sign	F Ratio	R <sup>2</sup>
1	-Y	3	0.01
2	+A	2	0.02
3	-D	2	0.03
4	+C	1.5	0.03
5	-S	1.5	0.04
6	+M	1.4	0.04
7	-W	1.2	0.04

Variable Number (7) Race, not entered.

## SUMMARY OF STEPWISE LINEAR REGRESSION ANALYSIS (Cont.)

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$$\text{SR} = 1.39 + 0.01A - 0.05D - 0.03Y - 0.05W + 0.09M - 0.26S + 0.17C$$

(1.01) (1.4) (1.35) (0.57) (0.99) (1.4) (1.2)

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$$R^2 = 0.04$$

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$$F = 1.2$$

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t values in parentheses



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