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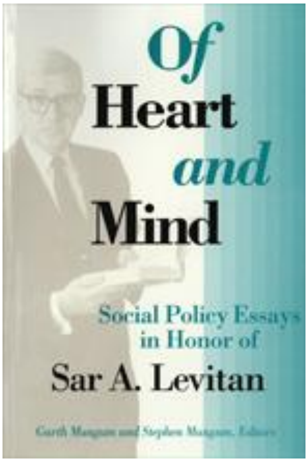

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CHAPTER 12

The Baby and the Bath Water

Lessons for the Next Employment and Training Program

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Although the nation's employment and training system has never been particularly stable, the summer and fall of 1995 were particularly noteworthy for the number and variety of approaches suggested to fix the employment and training system (Barnow 1993). We use the term "fix" with some misgivings, at least for adults, because the national impact evaluation of the Job Training Partnership Act (JTPA) Title II programs for economically disadvantaged adults and youth showed gains of about $900 (in 1993 dollars) annually for adults and no impact for out-of- school youth (Office of Chief Economist 1995; Bloom et al. 1993). Moreover, the evaluation precedes the Department of Labor's emphasis on long-term training and the enactment of the 1992 JTPA amendments.

Nonetheless, there has been considerable interest both in Congress and within the Executive Branch in replacing JTPA with an "improved" system. In this paper we consider three of the significant changes that have been suggested by various parties. We first consider the use of vouchers, where instead of having the program and the participant jointly select the training to be undertaken, the participant makes the selection. We then consider the strategy proposed by Congress of making the programs less categorical and more block grants where the states are given significantly more latitude in determining who is served and how they are served. Finally, we discuss the utility of one feature of the current JTPA system that is unlikely to survive a switch to a purer block grant system—performance management.

The Use of Vouchers

In the JTPA programs, as well as in the Comprehensive Employment and Training Act (CETA) and Manpower Development and Training Act (MDTA) programs that preceded JTPA, the type of training (e.g., classroom training or on-the-job training) and the specific vendor and course are selected jointly by the local program and the participant, with the program having primary responsibility. The Department of Labor has recently proposed that responsibility for activity selection be given exclusively to participants by providing them with vouchers redeemable at local vendors, with the local employment and training programs' responsibilities restricted to providing information about potential service providers and their track records and providing counseling and other support services when asked. Vouchers are a prominent feature of the bill currently being considered by the House of Representatives, H.R. 1617 or the CAREERS Act; the Senate bill authorizes but does not mandate the use of vouchers.

Although the Department of Labor has not worked out all the details of how such a program might operate, it is worth considering what the evidence shows about the track record of previous voucher programs for training unemployed individuals. The initial appeal of vouchers is quite strong. After all, the higher education system in the United States functions reasonably well without local programs assigning people to specific colleges and fields of study. The use of the GI Bill after World War II by large numbers of veterans is always cited as a model system of how well vouchers can accommodate the training needs of individuals. Finally, with the government stressing the importance of customer satisfaction, it is simply more appealing to let people make their own decisions on what to study and where to study it than to have program officials or locally selected contractors dictate the choices.

As noted above, none of the principal national employment and training programs have relied upon vouchers to match participants and programs. Two employment and training programs, one a special program carried out as part of a larger income maintenance experiment and the other a training program for certain dislocated workers, made use of an approach equivalent to vouchers. By examining the evidence from the evaluations of these programs, we can get some idea on how well vouchers might work for a broader-based program.

The SIME-DIME Counseling and Education Subsidy Program

The first voucher-like training program of interest is the Counseling and Education Subsidy Program (CESP) that was implemented along with the Seattle-Denver Income Maintenance Experiments (often referred to as SIME/DIME). SIME/DIME was the largest and last of a series of experiments conducted in the 1960s and 1970s to learn about the feasibility and behavioral implications of a "negative income tax" program where members of the treatment group were provided a guaranteed income, and any income earned by the participants was taxed at a specified rate. The SIME-DIME program was carried out between 1970 and 1978 in selected sections of Seattle and Denver. To be eligible for the program, a person had to meet the following requirements:

- Family income: below $9,000 (in current dollars) for a family of four (adjusted for other family sizes)
- Family structure: restricted to married couples and single parents with minor dependent children
- Race/ethnicity: family head had to be black or white in Seattle, and black, white, or Chicano in Denver
- Characteristics of family head: between the ages of 18 and 58, capable of employment, and not in military service (Christopherson 1983)

For the Counseling and Education Subsidy component of the experiment, treatment and control group members were randomly assigned to one of three counseling and training options:

- Counseling only
- Counseling plus a 50 percent subsidy for any education or training in which the person enrolled
- Counseling plus a 100 percent subsidy for any education or training in which the person enrolled (Dickinson and West 1983)

Participants were enrolled in the experiment for up to six years. Education was interpreted very broadly so that most occupational training and general education courses were approved; most of the training was occupational classroom training, and the community college was the most common provider. Participation in subsidized training was moderate. For the group with a 100 percent subsidy, about 36 percent of the married men and women participated, and 47 percent of the single female heads of household took some education or training. Participation rates were lower for those granted a 50 percent subsidy—21 percent for the married men and women and 35 percent for the single female heads.

The hypothesis underlying the CESP was that the subsidies for training would lead to increased participation in education and training programs, which would, in turn, increase earnings. The first part of the hypothesis was confirmed, with participants in the 100 percent subsidy group taking approximately one year of additional training compared to those with no subsidy. The surprising result was that in virtually all the analyses undertaken, the training led to either no change in subsequent earnings or an actual reduction in earnings, although the negative impacts were often not statistically significant. Dickinson and West conclude:

> Up to this point we have found that, as expected, the SIME/DIME counseling and training programs increased the amount of job counseling and the amount of additional schooling received. However, we have determined they also, quite unexpectedly, reduced the earnings of those eligible to participate, with the exception of the counseling-only program for single women. Further, we have found that these negative impacts are widespread and that the programs, on the whole, were not beneficial even for select subgroups of the population (again, with the exception of counseling only for single women). Since these results are based on a comparison of randomly assigned experiments and controls and thus are not a result of the self-selection and noncomparability problems that plague most other evaluations of employment and training programs, considerable reliance can be placed on these basic findings (p. 233).

Dickinson and West undertook a number of analyses to determine if their findings somehow resulted from some type of statistical problem or nonrandom selection. In the end, they concluded that the problem was in the treatment itself:

> The SIME/DIME programs were designed to maximize freedom of choice for participants. They offered nondirective counseling and a wide range of educational opportunities. Evaluation indicates that such programs in general are inappropriate for low-income individuals, causing at least some of them to form unrealistic expectations about their labor market prospects and to pursue overly ambitious goals (p. 253).

The voucher systems proposed in the current legislation may be even less promising: participants will receive counseling only if they request it.

The Trade Adjustment Assistance Program

The Trade Adjustment Assistance (TAA) program was established in 1962 to provide financial assistance and training to workers who lose their jobs as a result of imports. The program provides cash assistance through Trade Readjustment Allowances (TRA), and workers are permitted to identify and select their own training program. The program has been amended significantly several times in its history (Corson et al. 1993). The qualifying criteria were liberalized in 1974. In 1981, TRA benefits were reduced to be the same as the worker's unemployment insurance (UI) benefits, and workers could only collect TRA after they had exhausted their unemployment insurance. Training was made an entitlement and a requirement for workers on TAA beginning in 1988. Although dislocated workers covered by TAA must have their training approved by the employment service, the workers may choose their own training, and the employment service generally concurs with the workers' plans. Thus, the training component of TAA is essentially a voucher-based training program for dislocated workers who lose their job because of imports.

Mathematica Policy Research (MPR) completed an impact evaluation of TAA training in 1992. The evaluation included four groups of TAA recipients: participants who began receiving TRA benefits prior to the 1988 changes, participants who received TAA training prior to the 1988 changes, participants who began receiving TRA payments after the 1988 changes, and participants who enrolled in TAA training after the 1988 changes. The original design called for fifteen states to be included in the study, but six states refused to participate and only one was replaced, yielding a final sample of ten states. For comparison groups, the MPR researchers selected samples of UI recipients matched to the TAA samples on several criteria. The UI samples were drawn from the same states and roughly the same time periods as the TAA and TRA samples. The UI samples were drawn from manufacturing because the TAA population had been displaced largely from manufacturing jobs (85 percent in the TAA sample selected). Finally, because workers had to exhaust their UI payments to collect TRA, the analysis was restricted to UI exhaustees. The final analysis sample included 4,776 individuals, of whom 1,174 were UI exhaustees and the remainder were TRA recipients and TAA trainees. Data were gathered primarily through telephone interviews and covered approximately four years of experience.

The MPR study found that a substantial minority of TAA participants received training—37 percent in the pre-1988 sample (when training was neither an entitlement nor a requirement) and 47 percent in the post-1988 period when training was generally required but could be waived. About 70 percent of the TAA trainees completed their training, with a slightly higher proportion of the pre- 1988 group (72 percent) completing training than in the post-1988 group (67 percent). As in most studies of dislocated workers, the MPR study found that participants in TAA generally suffered substantial reductions in wage rates and earnings following their job loss.

The MPR researchers used regression analysis of the TAA samples and the UI exhaustee comparison group to estimate the impact of TAA training on the employment and earnings of participants. The researchers found that when differences in characteristics between trainees and others are controlled for, "our findings imply that, if training has a substantial positive effect on employment or earnings among all trainees, it is realized not earlier than three years after the initial UI claim" (Corson et al. 1993, p. 155). The study also found that individuals who received training had slightly lower wage rates than those who did not take training, but the differences were generally not statistically significant.

Although the TAA evaluation is another example of a voucher-like program that failed to produce significant positive impacts on the employment and earnings of trainees, the evidence here must be interpreted with caution for several reasons. First, the evaluation used a nonexperimental design, and the design may not have adequately controlled for differences between the treatment and comparison groups. Second, the evaluation may not have followed up the participants long enough to measure any gains. Finally, the failure of the program to produce significant impacts may not have been due to the voucher aspect of the program but to other features of the intervention. For example, in the post-1988 period, training was a requirement, so the results may not apply to a nonmandatory program. On the other hand, several other evaluations of training programs for dislocated workers failed to find significant positive impacts, so the problem may not result from the use of vouchers (Office of Chief Economist 1995, p. 55).

Conclusions on Vouchers

We do not interpret the evidence presented here to indicate that vouchers should never be used in training programs. For programs focused on the general population and toward higher education rather than occupational training, vouchers may be satisfactory. It is when we consider the populations that have been of greatest interest for the Department of Labor, the economically disadvantaged and dislocated workers, that one has trouble finding any evidence that vouchers will work. Based on recent experience in JTPA, one might speculate that a move toward vouchers would be counterproductive. The 1992 JTPA amendments required local service delivery areas (SDAs) to increase the assessment provided to participants, and an ongoing evaluation of the amendments indicates that most SDAs and states believe that the increased assessment has been beneficial to the program. While causality cannot be established at this time, a reasonable case can be made that for the economically disadvantaged population and perhaps dislocated workers as well, we should stay with the current system of enhanced assessment and training programs mutually agreed upon by the program and the participant, rather than switching to a voucher system where participants assume the major role in selecting their field of study and service provider. If the Department of Labor is able to implement its proposals to establish one-stop career centers and provide detailed performance ratings of all service providers, vouchers are more likely to be useful, but there appears to be no rationale for haste.

Block Grants to States

The major employment and training bills being considered by the House and Senate at the time this paper was prepared, H.R. 1617 and S. 143, reduce the federal role in overseeing and proscribing these programs, and they enhance the role of the states. The term "block grant" is generally used to describe situations where federal funds for several narrowly focused programs (often referred to as categorical programs) are combined in a single grant with much of the responsibility for design, focus, operation, and oversight transferred to the states or, less frequently, to local levels of government. There are obviously degrees to which a program is a block grant rather than categorical, with a program being more of a block grant when the state or local governments have more control over services to be provided, the target population, accountability, and the way funds are allocated to lower levels of government. Thus, JTPA and its predecessor CETA are often classified as block grants because they replaced a number of highly categorical programs (Hayes 1995). On the other hand, JTPA, and CETA before it, has a number of separate titles and funding streams, strict targeting requirements, a number of restrictions on the activities that can be carried out with the federal funds, and a performance management system with strong incentives. Thus, the General Accounting Office (1995, p. 22) quite correctly questions whether CETA—and by implication JTPA as well—was truly a block grant program. Current proposals for employment and training would replace JTPA with one or more programs giving increased responsibility to the states and fewer requirements for targeting, services, and accountability. In the remainder of this section, we review the evidence on the likely effects of moving toward a pure block grant system for employment and training.

Although block grants were first proposed as early as 1949, the first three block grant programs were established in the 1970s under President Nixon: CETA, the Community Development Block Grants (CDBG), and the Social Service Block Grants (established under Title XX of the Social Security Act). The next round of block grants was instituted under President Reagan. Nine block grant programs were created in 1981, and there are currently fifteen block grant programs in effect (General Accounting Office 1995, pp. 22-24).

In this section several of the effects of block grants are considered. We first examine what happens to funding levels for activities under block grants. We then consider the savings that some analysts have speculated will result from the use of block grants and program consolidation. Finally, we discuss how the potential benefits of block grants may erode over time as Congress changes the program. A fourth issue of importance—accountability—is considered in the next section because it is discussed in more depth.

Federal and State Funding Levels

As Peterson and Nightingale (1995) have noted, there is nothing inherent in block grants that requires any change in the level of federal support. During the Nixon era, funding was increased when block grants were implemented, but the Reagan block grants were accompanied by program cuts. In the current environment, any movement more toward the block grant end of the funding spectrum for employment and training programs is likely to be accompanied by a reduction in funding. However, given pressure on the federal budget and criticisms by GAO and others, it is possible that these reductions in spending would occur in any event.

The Reagan round of block grants did not fare particularly well over the decade after they were established. The General Accounting Office (1995) notes that the block grants established in 1981 were funded 12 percent less in 1982 than the categorical programs they replaced. Peterson and Nightingale (1995) find that for the decade following their establishment, funding generally declined for these programs, while Nathan (1995) characterizes the programs as growing "slowly, if at all." Peterson and Nightingale also note that during this period total federal grants to state and local governments increased by over 100 percent, providing additional evidence that programs replaced by block grants do not fare well in terms of federal funding.

Although some observers feared that the states would not make up for much of the reductions that resulted when block grants replaced categorical programs in the 1980s, both the General Accounting Office (1995) and Peterson and Nightingale (1995) found that states made up for a significant share of lost federal funds. State willingness to replace lost federal funds was not universal, however, and the programs that fared best were those that state governments had traditionally administered, while those that fared worst were ones where there had been little state involvement or where the funds had largely been passed through to the local level. Employment and training programs fit more into the latter category, so it is reasonable to expect declines in state support.

Administrative Cost Savings

Claims have sometimes been made that the block grant approach can lead to significant savings in operating programs. The General Accounting Office (1994) has encouraged such thinking by noting in the title of one of its reports that "overlapping programs can add unnecessary administrative costs"; if one reads the report, however, one discovers that GAO did not conduct any study of administrative savings from program consolidation but simply assumed that savings would result. A recent analysis of this issue by Pindus and Nightingale (1994) indicates that, for several reasons, the savings might not be as great as many analysts have supposed. First, administrative costs are generally a small fraction of total expenditures, often around 10 to 15 percent, so the base for potential savings is limited. Second, to the extent that programs are already coordinated in terms of paperwork and service delivery, there are limited benefits to be realized. Pindus and Nightingale conclude:

> Even under scenarios where there could be some administrative cost savings, though, the amount of savings is not likely to be great. Much of the expected savings would occur at the state level, but total state level administrative costs represent a very small percentage of total program costs to begin with (generally one to two percent of all costs). Even if half of all administrative costs at the state level were saved as a result of consolidation, that would still represent only about one percent of total federal program expenditures for all programs consolidated. Under the best-case scenario, there might also be some small savings at the local level. If, hypothetically, 20 percent of the local administrative costs could be saved, this might translate into a savings of 2-4 percent of total federal program expenditures for all programs consolidated (1995, p. 29).

Moreover, to the extent that state and local governments must learn new tasks and assume responsibilities formerly held by the federal government, cost might be expected to increase, at least in the short run.

Eroding Program Flexibility

While there is not a great deal of evidence regarding how well the states have performed in implementing block grant programs, Peterson et al. (1986, p. 28) concluded that "states have done at least as good a job in administration as the federal government had done formerly." In spite of this, there has been a tendency for recategorization of programs shortly after the establishment of block grants. Hayes (1995, pp. 15-16) refers to this phenomenon as "categorical creep," and she notes that between 1980 (prior to the Reagan block grants) and 1994, the number of categorical programs serving children and families increased from about 300 to nearly 500 in 1994. The General Accounting Office (1995, p. 40) notes that between 1983 and 1991 block grant programs were amended 58 times, adding or modifying cost ceilings, eligibility requirements, or imposing other categorical restrictions on the states.

The reason for the recategorization is not hard to identify. As GAO points out, block grants provide the states with increased flexibility and, generally, less accountability. This combination invariably leads to some instances of "bad judgment" by the states where for better or for worse they make changes that Congress does not approve of, resulting in recategorization of programs by Congress. Illustrations in the employment and training area are easy to find. The major restrictions in CETA beginning with the 1978 amendments and the 1992 amendments to JTPA resulted from state and local governments using their flexibility to run programs contrary to the wishes of Congress (and in some instances contrary to good judgment). Thus, even though the National JTPA Study found JTPA to be most effective for adults assigned to on-the-job training (OJT) or job search assistance, these programs were strongly discouraged by the 1992 amendments because the Office of the Inspector General and GAO discovered some abuses of OJT, e.g., three-month dishwasher OJT contracts, and participants receiving only job search assistance were not receiving actual training, contrary to the desires of Congress.

Conclusions on Block Grants

It is not clear how much of the current interest in making the nation's employment and training system more of a block grant stems from a desire to improve the program and how much is simply an excuse to reduce the budget. The evidence suggests that increasing state responsibility and flexibility has some advantages in terms of administrative efficiency, but there is little evidence that cost savings will result, and, based on past experience, there is a good likelihood that recategorization will occur. In addition, if states are given increased flexibility on targeting, services, and sub-state distribution, the federal government should be prepared to live with the results. Thus, we believe that decisions on budget levels should be made independently of block grant features. In addition, as is addressed in more detail below, increasing the state role without maintaining or enhancing accountability has been shown to be a recipe for program disaster.

Employment and Training Performance Management

Legislative proposals now circulating in Congress have the potential for substantially altering, and possibly all but eliminating, the performance management system which has been developed over the past decade for JTPA and more recently for a number of related employment and training (E&T) programs. Whether these pending actions represent a serious threat to the performance of E&T programs depends both on whether the performance management systems have been appropriately designed and on whether these designs have had the intended effects in promoting improved performance.

This section provides a review of recent experience with performance management in E&T programs. First, we review the essential components of these systems. Second, we examine the performance system established for JTPA. Third, we document what is known about the effects the JTPA system has had on participants served, services provided, and key program outcomes. Then, we highlight several national and state-based initiatives underway that are enhancing and changing the focus of E&T performance management. Many of these appear to be heading very much in the direction suggested by the rhetoric, if not the reality, of E&T reform bills in this Congress. Finally, we review the congressionally proposed changes to E&T performance management and offer observations concerning their possible impacts.

Essential Components of E&T Performance Management

Barnow (1992) suggested that three essential components characterize E&T performance management systems, as follows:

- Performance measures, one or more measures related closely to the actual performance expected of the programs:
- Methods for setting performance standards based on each of the selected measures, specific standards of acceptable performance, set rationally and developed so as to be understood by the (state and substate) programs being judged; and
- Rewards and sanctions tied to actual performance against standards.

A fourth component, implicit in the three listed, is that a performance management system should also be firmly grounded in a *performance management philosophy.* This philosophy should clearly articulate to all of the actors involved exactly what is expected of each at all levels; the particular measures, standards, and adjustment mechanisms; the consequences of performance, whether good or bad; how the performance management system is intended to lead to just what type of performance over time; and the rationale for all of these elements. There are any number of alternative philosophies of and approaches to performance management, tailored to varying operating contexts (e.g., centralized/decentralized decision making, funding mix, service constraints).

Three rationales have been offered for establishing performance management systems, suggesting some of the steps towards the requisite philosophy, including: identifying poor performers and taking corrective action; identifying and rewarding good performers; and modifying the objective function of the programs, in laymen's terms, bringing state and local program goals and objectives in line with national program aims.

Typically (and appropriately), the skeleton of a performance management philosophy is only partially outlined in legislation; the system's meat is added through regulations, associated technical assistance guides, training sessions, and ongoing dialogues engaging all major national, state, and substate policy makers, administrators, and service providers. Workable, effective systems are rarely top-down affairs; rather, they can be characterized as top-down/bottom-up. As such, they enjoy substantial "buy-in" from all of the affected parties.

The Current JTPA Performance Management System

Throughout the 1980s and early 1990s, JTPA had the only comprehensive performance management system of any E&T program in the country (King 1988). Now, however, a number of other E&T programs—adult and vocational education, the Job Opportunities and Basic Skills (JOBS) training program for Aid to Families with Dependent Children recipients, and the Food Stamp E&T program—have at least begun to construct their own systems. The JTPA system is examined here; none of the others can yet match it for completeness or for responsiveness to changing conditions (Baj, Sheets, and Trott 1994).

Building on the pilot experience under CETA, JTPA's performance management system was ushered in July 1983 and has been modified in response to research findings, reviews by national blue ribbon commissions, and extensive feedback from state and local programs. The latest changes resulted from the passage of the 1992 JTPA Reform Amendments. JTPA's performance management system at present is comprised of the following key components:

- Clearly articulated *goals and objectives*, i.e., increased employment and earnings and reductions in welfare dependency

- *Performance measures and associated standards*, developed through a highly participatory, top-down/bottom-up policy process with considerable input from the research community; JTPA's measures and standards now encompass both process (e.g., access/equity of service) and outcome (e.g., youth employability enhancement, rates of employment and earnings levels, since 1988 captured at follow-up for adults and adult welfare recipients) measures for adults and youth

- A *performance standards adjustment model* with which governors may adjust performance standards for their local programs to account for economic conditions (e.g., high unemployment, low wages) and population constraints that lie beyond their control
- *Performance incentives and sanctions* tied to local performance against standards, typically as adjusted by the Secretary's performance standards model
- *Clearly sorted performance management roles and responsibilities* among the program's key players, including the federal government, governors, local private industry councils, and program administrators and service providers
- *Ongoing technical assistance and training (TAT)* on performance standards and their use, led by USDOL/ETA and assisted by states, national associations, consultants, and researchers

JTPA's approach is based on several key principles. First, to the extent feasible, measures and standards should proxy for the desired net impact on employment and earnings. Second, unintended negative effects should be avoided. For example, despite the fact that cost and change (in employment, earnings, and welfare dependency) measures were specifically called for in legislation, the former were tried but subsequently dropped when field research found their use was prompting the pursuit of low-intensity service strategies (SRI and Berkeley Planning Associates 1988); the latter were considered but never implemented because research suggested that change measures would lead to participant "creaming" and serving those who would have done well absent services. Third, underlying JTPA's system is the private sector notion that, given clear goals, objectives, and standards of performance and guidance on operating parameters, local officials should be allowed the flexibility to decide how to operate, as well as to enjoy the fruits of their success or suffer the consequences of their failure. Responses to program failure include both technical assistance, a relatively positive approach geared towards improvement, as well as program reorganization, the negative option, for continued nonperformance.

Effects of E&T Performance Management

JTPA is the only E&T program with sufficient experience in performance management to support an assessment of its effects. Barnow (1992) and Dickinson et al. (SRI and Berkeley Planning Associates 1988) provide evidence on this issue. Technical issues (e.g., estimation biases, measurement error, omitted variables) aside, several key findings emerge from this research.

First, for all its faults, JTPA's performance management system—-including its principal measures—-enjoys widespread acceptance among those who must work within and around its confines. This suggests that JTPA's system has met an important test: it has been widely accepted as valid by those who are an integral part of it.

Second, when Dickinson and her colleagues conducted the legislatively mandated evaluation of the effects of JTPA standards on clients, services, and costs for the National Commission for Employment Policy, they found that standards were not the culprit they had sometimes been made out to be. Local JTPA programs (known as service delivery areas or SDAs) balanced at least three different sets of objectives, the first centered around clients' needs and serving particular client groups; the second around employer needs and interests; and the last more narrowly focused on achieving specific JTPA performance levels. Given that national performance standards for JTPA have been pegged at relatively low ("minimally acceptable") levels, their major conclusions were not surprising. Their findings suggest that local JTPA programs that have a strong sense of their goals and objectives, understand their target populations and local labor markets, and pay attention to providing appropriate E&T services will not have their programs distorted (in terms of clients, services, or costs) by the application of performance standards.

Third, on one of the more important issues—whether program termination and immediate postprogram performance indicators are sufficiently good "proxies" of the desired longer-term net impacts on participant employment, earnings, and welfare dependency—the jury is still out. Considerable research has been conducted around this issue, beginning with the pioneering study by Borus (1978). (See also Gay and Borus 1980; Geraci 1984; and Friedlander 1988). These studies have used varying methodologies applied to different programs and had access to differing gross/net impact estimates, with understandably different results. We do not yet know definitively that managing towards the current set of immediate and near-term measures and standards yields the desired net impacts; however, as the Secretary of Labor's JTPA Advisory Committee strongly recommended in 1989, a combination of tightening up eligibility at the front end (e.g., ensuring that participants are truly in need) and tightening up program performance measurement at the back end (e.g., stricter, more tightly defined outcome measures) will minimize problems associated with "creaming," serving those most likely to succeed, usually in order to produce better gross results in the short term.

Finally, it is helpful to close by listing the five major lessons USDOL (1994d) says it has learned over the course of implementing JTPA performance standards:

- performance standards drive program behavior
- performance standards should clearly reflect policy goals
- performance management incentives get results
- keep it simple
- performance standards are part of systemwide management

Promising Recent Initiatives

This appears to be a period of actively "groping along" towards a new performance management paradigm for E&T programs. The emerging paradigm is both more encompassing and complete than the current ones, and is more closely aligned with leading private sector practices. The passage of the Government Performance and Results Act of 1993 indicates that this is unlikely to diminish in the foreseeable future. Under this act, federal agencies must develop outcome-based goals, systematically measure their performance, and report on their progress. A number of promising recent initiatives are highlighted here.

Cross-Program Performance Management Initiatives. Even before USDOL began promoting the one-stop career center approach to service delivery, a number of states (notably New Jersey, Pennsylvania, and Texas) had launched their own efforts to rationalize their E&T

operations and to deliver services in a more "seamless" fashion. They also began grappling with ways to manage these programs better, whether or not they had placed them under a common roof. Some states (Oregon, for instance) established so-called human resource investment councils, overarching councils which oversaw planning for and conducted oversight across major E&T programs. Subsequent passage of the 1992 JTPA Reform Amendments encouraged other states to follow suit, and approximately fifteen states, beginning with Texas, have done so.

Second, the 1992 amendments also mandated the identification of a "core set of consistently defined data elements" for the major federal E&T programs. The Secretaries of Agriculture, Education, Health and Human Services, and Labor, joined by other partner agencies and organizations, launched this effort and produced a report identifying these core elements and setting forth recommended definitions for them (USDOL 1994a). The National Governors' Association, one of the partner organizations, engaged several states (notably Texas, Iowa, North Carolina, and Indiana) in an intensive eighteen-month project to implement core data elements and performance measures. For example, Texas has adopted five common outcome measures for gauging the performance of its JTPA, JOBS, Food Stamp, E&T, Adult and Vocational Education, and other programs.

Third, the National Commission on Employment Policy, joined by a group of policy researchers and several key states, pushed to maximize the use of unemployment insurance (UI) wage records—data already collected in support of UI benefits administration in each state—as a cost-effective, objective, and easily accessible mechanism for tracking longer-term employment and earnings outcomes for participants terminating from the various E&T programs (NCEP 1991, 1992). The availability of quarterly UI wage records in nearly all states is a recent phenomenon, a product of the 1988 amendments to JTPA; the 1992 JTPA Amendments bolstered institutional support for their use. This effort has emphasized tracking and evaluation options for JTPA, but its applicability extends *across* many of the other E&T programs as well. UI wage records have the potential to serve as a form of "common currency" for gauging E&T program performance.

Skills Standards. One of the missing pieces in E&T program performance management systems to date has been that, despite a private sector role in their application (especially in JTPA), standards were largely independent of performance expectations for jobs in the labor market. That is, while local E&T programs could be judged successful in terms of programmatically based standards (i.e., having exceeded the established employment rates or earnings levels), many participants might well be unable to meet the on-the-job requirements of private (or even public) sector employers. The Secretary's Commission on Achieving Necessary Skills report (U.S. Department of Labor 1991) recognized this issue.

A joint effort to develop industry-based occupational skills standards and certification was begun by the U.S. Departments of Education and Labor in 1992. Industry-led projects were funded in numerous industries (e.g., electronics) "to establish model frameworks that define recognized occupations, establish world-class occupational skill standards, and provide the basis for program accreditation and individual certification" (Baj, Sheets, and Trott 1994, p. 41). Subsequently, The Goals 2000: Educate America Act of 1994 encouraged the creation of a national system of voluntary skill standards, to be led by industry, and also called for the creation of a National Skills Standards Board. The School-to-Work Opportunities Act of 1994 then encouraged states to develop their own skill standards and to link them to the standards emanating from the national Goals 2000 efforts. Whether Congress will continue to support these initiatives is doubtful.

Convergence with Private Sector Performance Management. Another initiative worth noting is the convergence of private and public sector (especially E&T program) thinking regarding how best to manage performance. Both the language and practice of E&T performance management are now much closer to those of leading private sector enterprises. The publication of such popular works as *In Search of Excellence* by Peters and Waterman (1982) and *Reinventing Government* by Osborne and Gaebler (1992) has certainly helped. Elements of this convergence can be seen in the growing emphasis on *continuous improvement* over time (as distinct from simply meeting a given year's performance standard); *quality assurance* and quality generally (as compared to focusing on USDOL/ETA's "minimally-acceptable performance"); and *customer satisfaction* and related management feedback systems (in contrast to passive participant follow-up surveys). USDOL has actively pursued these new elements of performance management in ways readily apparent in its One-Stop Career Center Projects around the country; the National Governors' Association and other organizations have been key proponents as well.

Possible "Reform" Impacts

Both the House and Senate bills proposing to reform the nation's workforce education and training programs are short on details, particularly in terms of performance management, making an assessment of the possible impacts of reform difficult. The two leading bills are H.R. 1617, the Consolidated and Reformed Education, Employment, and Rehabilitation Systems (or CAREERS) Act in the House (the McKeon-Goodling bill); and S. 143, the Workforce Development Act in the Senate (the Kassebaum bill). H.R. 1617 would consolidate E&T programs into four state block grants (by target group); require that services be delivered via one-stop centers operating under required local boards; and place heavy emphasis on vouchers for adult training. S. 143 would create a federal-level governing board; consolidate somewhat fewer programs into a single state block grant (with two funding streams), organized around core activities; and allow the establishment of local boards and the use of vouchers.

Key points concerning the relevant performance-related provisions in these bills include the following:

- At the federal level, the Secretaries of Education and Labor would work to set "world-class" performance levels to ensure a national performance system in H.R. 1617, while S. 143 would give the major performance management role—including "negotiating" state performance benchmarks—to a newly constituted public/private, executive/congressional governing board.
- States have a very active role in S. 143, setting appropriate performance benchmarks, among other functions; in H.R. 1617, states set core indicators, but local boards develop the performance measures.
- H.R. 1617, which requires the use of vouchers, also mandates a system of provider certification.

- Both versions have provisions for performance incentives or bonuses and would reduce an area's basic resources a substantial amount for continued nonperformance.

There are major shortcomings in these bills from a performance management perspective. First, both are disturbingly vague on purpose, goals, and objectives, as well as the approach that would be put in place to measure them. As Sum and Harrington (1995) point out, these bills not only appear to give a much larger performance management role to states (and localities in the House bill), but they retreat noticeably from the important federal role which has been asserted over the years, i.e., establishing E&T program goals and objectives, and ensuring that data systems were in place throughout the system to measure performance reliably and consistently. The system envisioned in the Senate bill has many of the trappings of that now in place in vocational education. Not only did it take several attempts over several decades to get clear performance management provisions in federal law, but once enacted (1990), the weak federal role it embodies has allowed states such wide leeway that it is difficult for potential students to know what the system is producing from state to state or community to community. This might be understandable in vocational education where federal funds comprise a very small fraction of the total, but in federal block grants with few matching requirements, it makes very little sense.

Second, the private sector role in performance management, which has been a centerpiece of the USDOL approach since the early 1980s, is lacking altogether in these bills. This sends the wrong signal to the nation's E&T programs.

Third, while it is encouraging that H.R. 1617 would mandate a mechanism for provider certification to accompany its voucher approach, this only goes part of the way. As indicated above, the effectiveness of vouchers remains largely untested with poor target populations with low literacy and other barriers. The experiences many states and the federal government have had with proprietary schools and school loans are suggestive of some of the problems that can occur. Performance information alone is not sufficient. Given the complexity of the investment decisions individuals are being asked to make for their careers, greater emphasis will be needed on counseling them concerning choices and their consequences, interpreting the available information on provider performance.

Fourth, both bills would effect cuts in an area's basic resource allocation for continued nonperformance, an action which penalizes those in need of services as much as it does local program staff and, by association, local elected officials. Positive approaches (incentives) are far more productive than negative ones at eliciting the desired program response. Further, cutting into base area funding allocations is ill-advised. These are lessons with strong private sector parallels as well.

Finally, neither bill addresses what USDOL and the JTPA system have begun to acknowledge as crucial to achieving desired performance levels over time, constructing mechanisms to assure quality and foster continuous improvement. These principles come out of leading-edge practices in the private sector, e.g., Total Quality Management (or TQM) or the international ISO 9000 effort. In all fairness, none of the nation's E&T programs, including JTPA, has done well in these areas. A crucial missing ingredient in continuous improvement is a network of technology diffusion centers which can help to interpret and communicate new findings (research and development)—about effective program interventions and innovative service delivery practices—to state and local E&T programs, as well as provide technical assistance and training when needed to assist in implementing them. Parallels can be found in the nation's networks of Agricultural Experiment Stations and Education Service Centers, as well as in the system of Manpower Institutional Grantees (or MIGs) that existed under CETA.

In summary, these E&T "reform" proposals represent considerable regression from the system now in place for JTPA and would amount to disregarding years of progress built upon hard-learned lessons and the emulation of leading-edge national and international practices. It would be a terrible irony to choose to revert to a fragmented, state-based E&T system, featuring inconsistently measured performance against incompletely defined goals and objectives, when, in the face of increasing economic globalization, many of our trading partners are going the other way.

Concluding Observations

We have examined several topics now featured prominently in the national debate over the future of E&T programs, namely vouchers, block grants, and performance management. The evidence on the efficacy of vouchers for providing services to low-income populations is limited, and the evidence that is available is not encouraging. Relying on vouchers as the principal mechanism for providing E&T services for key E&T target populations might well prove counterproductive. In addition, past experience with using block grants for E&T and related programs also suggests little room for optimism. The current move to legislate E&T block grants may be largely a product of the desire to cut federal expenditures in this policy area. We should not expect turning to block grants to yield measurable savings in administrative costs or to produce substantially better decision making on the part of state and local governments who would inherit the newly devolved responsibility for E&T program decisions.

The JTPA program in particular has established a reputation for program accountability. It did so early in its implementation and has continued to do so over the years, learning from its mistakes, building on its successes, and emulating some of the best private sector performance management practices. JTPA's performance management approach is not without its faults (or its critics), but is by far the best such system yet implemented in the E&T realm. Leading congressional proposals to reform E&T programs are remarkably vague and ill-defined in terms of performance management, leaving much to be desired. In addition, JTPA's record for adults has shown continuous improvement in recent years. The table below shows how wages at placement and length of stay have steadily increased for adults between 1989 and 1993

Year	1989	1990	1991	1992	1993
Average length of stay for adults (in weeks)	12	24	27	28	33[a]
Average wage at placement for adults	$5.64	$5.85	$6.08	$6.40	$6.87

a. Length of stay for 1993 may not be strictly comparable to data from earlier years

There is a disturbing incongruity between the visions being pursued by the new leadership in Congress and the perspectives of researchers, policy analysts, and practitioners. Even with E&T vouchers and block grants, we would still need ways to demonstrate to taxpayers and the Congress that services are being effectively delivered both in the present and over time. It is unclear how this can be accomplished absent tightly defined standards and consistently measured performance across states. We sincerely hope that cutting federal expenditures on E&T programs is not a hidden aim of the current fervor for E&T program and other block grants. We should stop to ask whether it makes sense to throw out the baby with the bath water.

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