

# Government-Sponsored Training Programs

Failure in the United States  
Lessons for Canada

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M. Danielle Smith*

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# Executive Summary

## Objectives of the study

Government-sponsored training programs are increasingly being seen as a panacea for improving prospects in the workplace for disadvantaged workers. In Canada, federal and provincial governments have already embarked on such programs and are poised to invest more money. The United States began a massive investment in programs of this type decades ago and, after 30 years, billions of dollars have been spent on thousands of local job-training programs. A growing body of evidence from experimental research is accumulating on the effects of such initiatives. The first objective of this study is to review the results of these studies and to draw from them policy lessons for Canada.

In Canada, the rationale for government investment in training rests, in part, on the premise that there is inadequate investment by the private sector. The second objective of this Critical Issues Bulletin will be to examine the claim that the private sector is underinvesting in training and to investigate more generally the issue of private sector training.

The evidence suggests that a substantial number of disadvantaged workers who participate in training programs have not completed 12 years of schooling. The study's third

objective is to analyze the successes and failures of Canada's public education system in equipping students with the necessary skills for a modern, high-technology economy.

## Asking the right questions

Globalization and the consequent restructuring of the economy present a formidable challenge to public policy. Major shifts in comparative advantage can occur very quickly and individuals and firms that are able to adapt rapidly in the face of change will end up on top of the economic ladder. As the economy changes, some jobs will become obsolete and others will be created. Workers will need to change occupations many times over the course of their careers and, as a consequence, must continually acquire new skills and qualifications. Those with low levels of skill and education—those who cannot learn—will suffer a decline in their standard of living.

To alleviate the hardships caused by such transitions, Canada requires an educated and productive workforce that can adapt quickly to changing economic conditions. Thus, the development of human capital must be at the centre of a coherent economic strategy. Further, it must be determined

whether education and training to enhance human capital should come primarily from government-sponsored training, from private-sector training, or from the public or private school systems.

## Are government-sponsored training programs working?

The United States began a massive investment in government-sponsored training programs decades ago and, after 30 years, billions of dollars have been spent on thousands of local job training programs. A growing body of experimental research overwhelmingly suggests that “active” labour-market training programs do not improve the prospects in the workplace for workers with low skill levels and little education. This analysis primarily considers so-called “welfare-to-work” programs targeting disadvantaged workers and three primary categories of program recipients: poor single parents, disadvantaged adults, and out-of-school disadvantaged youth.

There are four primary approaches to assisting these target groups: (1) job search (including help with résumés and interviews); (2) short-term training (3 to 6 months of vocational classroom instruction or community work experience); (3) long-term training (including adult basic education, general equivalency diploma, ESL, or post-secondary schooling); (4) subsidized employment. Most programs have an integrated program design, utilizing two or more of these employment strategies for participants.

To measure the relative success of training, the primary achievement goals for adult programs are:

- increased average earnings
- increased employment rates
- reduced incidence of AFDC payments
- reduced level of AFDC payments.

In the case of the Job Training Partnership Act (JTPA), performance measures include increased high-school completion or General Equivalency Diploma (GED receipt and reduced Food Stamps benefits.

The programs analyzed under the category of “poor single parents” are Florida Project Independence (FPI), Ohio JOBS, Baltimore Options, California Greater Avenues to Independence (GAIN), Riverside (GAIN) and San Diego Saturation Work Initiative Model (SWIM). In the category of “disadvantaged adults,” the programs analyzed were California Greater Avenues to Independence (GAIN), Riverside GAIN, San Diego Saturation Work Initiative Model (SWIM), Ohio Work Chance, and the Job Training Partnership Act (JTPA) for adult men and women. In the category of “disadvantaged out-of-school youth,” the programs analyzed were JTPA for youths and the Job Corps.

## Summary of adult programs

### Poor single parents

A lack of basic education figured prominently in the profile of the participants as 41.3 percent to 65.4 percent of participants had less than 12 years of education. Programs designed to target single parents failed to achieve the goals set out by program administrators. Programs often have no effects and, even when outcomes are statistically significant, the impact is not substantive enough to improve the welfare

of recipients. Earnings were increased a maximum of US\$19.96 per week and a minimum of US\$2.18 per week, and the largest increase in employment was only 13.6 percentage points; in one program there was no positive impact at all. In half the cases, these mandatory programs did not result in reductions in AFDC receipt but, when they did, the reduction ranged from 1.1 to 5.2 percentage points. The

largest reduction in AFDC payments was only US\$12.71 per week; there was no effect in two programs. In summary, these programs have virtually no effect in improving the prospects for most participants. The public expenditure ranged from US\$1.4 million to US\$87.3 million for the program, and between US\$689 and US\$4,895 was spent per experimental group member (table 1).

**Table 1 Performance indicators: programs for poor single parents<sup>A</sup>**

Program	Sample size <sup>B</sup>	Percent with <12 years of education	Earnings <sup>C</sup>	Employment <sup>D</sup>	AFDC receipt <sup>D</sup>	AFDC payments <sup>C</sup>	Total cost <sup>E</sup>
FPI	13,509 (4,724)	41.9%	+\$2.18	+2.5	-1.1	-\$2.55	\$26.5
Baltimore Options	1,362 (1,395)	56.5%	+\$7.58	no effect <sup>F</sup>	no effect	no effect	\$1.4
Ohio Work Choice	2,601 (1,664)	43.3%	+\$2.27	+3.4	no effect	no effect	\$2.3
California GAIN	17,852 (5,164)	41.3%–65.4% <sup>G</sup>	+\$9.06	+5.9	-3.0 <sup>I</sup>	-\$6.17	\$87.4
Riverside GAIN	4,568 (1,058)	49.6%	+\$19.96	+13.6	-5.2 <sup>G</sup>	-\$12.71	\$15.8
San Diego SWIM	1,605 (1,605)	43.9%	+\$7.98	+7.1	no effect	-\$7.07	\$2.5

<sup>A</sup> source: tables 4 and 5

<sup>B</sup> experimental participants (control)

<sup>C</sup> per week; compared to control

<sup>D</sup> in percentage points

<sup>E</sup> \$millions; total cost of program = total cost per experimental participant ¥ the number of participants

<sup>F</sup> not statistically significant

<sup>G</sup> across 6 counties

## Disadvantaged adults

Many of those in this category also lacked basic education: 27.9 percent to 82.9 percent of participants had less than 12 years of education. Programs for disadvantaged adults consistently failed to meet the objectives of their designers. When evaluated, the achievements of these programs were consistently poor: outcomes are often not statistically significant and, when significant, they are modest at best. Earnings increased a maximum of US\$9.65 per week but did not increase at all in one program. The largest increase in employment was 7.8 percentage points and the lowest was 4.0 percentage points. The mandatory programs, GAIN, SWIM, and Ohio JOBS, all failed to reduce the incidence of AFDC re-

ceipt and AFDC payments only fell a maximum of US\$13.23, and did not decline at all in one program. The voluntary JTPA program did not reduce either Food Stamps or AFDC payments. JTPA increased completion of high school or receipt of GED by only 7.9 to 11.6 percentage points.

Regardless of the approach taken, government-sponsored programs cannot accomplish all the goals set out for them. Training clearly does not lift individuals out of poverty nor does it render them substantially better off than if they had never participated in the program at all. The public costs per experimental participant, however, ranged from US\$1,256 to US\$3,789, with program costs ranging from \$0.9 million to \$27.7 million (table 2).

**Table 2 Performance indicators: programs for disadvantaged adults<sup>A</sup>**

Program	Sample size <sup>B</sup>	Percent with <12 years of education	Earnings <sup>C</sup>	Employment <sup>D</sup>	AFDC receipt	AFDC payments <sup>C</sup>	Total cost <sup>E</sup>
California GAIN	7,039 (3,212 )	51.1% – 82.9% <sup>F</sup>	+\$7.12	+6.4	no effect	–\$7.49	\$27.7
Riverside GAIN	1,666 (741)	57.4%	+\$9.65	+7.8	no effect	–\$13.23	\$5.2
San Diego SWIM	686 (655)	53.0%	+\$4.08	+4.0	no effect	–\$7.54	\$0.9
Ohio JOBS	7,860 (1,314)	44.2%	no effect	+4.3	no effect	no effect	\$22.3

<sup>A</sup> information in this table is derived from tables 6, 7 and 8

<sup>B</sup> experimental participants (control)

<sup>C</sup> per week; compared to control

<sup>D</sup> in percentage points

<sup>E</sup> \$ millions

<sup>F</sup> across 6 counties



## Summary of youth programs

### Out-of-school youth

Low levels of education and skills are common among participants, with 48.4 percent or more having failed to graduate from high school. Programs designed for disadvantaged youth also fail to achieve their goals.

JTPA registered no positive outcome for earnings, no reduction in Food Stamps or AFDC payments, and no educational achievement for male youths. The only positive outcome was a 7.7 percent increase in high-school graduation or GED receipt by female youth. These programs had virtually no positive effect on the economic prospects of participants. Although Job Corps was not evaluated with performance measures, note that 64 percent of students left the program without completing even the mandatory voca-

tional training. The public costs ranged from US\$2,717 to US\$15,300 per participant or US\$2.3 million to US\$993 million in total (table 3).

### General lessons

The evidence from the United States suggests that government-sponsored training programs have been a failure. In light of this evidence, Canadian policy makers would be well advised not to invest vast sums of tax dollars in ineffective programs. The long-run solution addresses the central reason why government-sponsored training programs do not work. Programs focusing upon human capital fail because *there is little—if anything—that can be done to compensate for neglecting the first twelve years of schooling*. It is difficult to

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Failure of  
Government-  
Sponsored  
Training  
Programs

**Table 3 Performance indicators: JTPA programs for disadvantaged adults and disadvantaged, out-of-school youths<sup>A</sup>**

Program	Sample size <sup>B</sup>	Percent with <12 years of education	Earnings <sup>C</sup>	High-school graduation/GED receipt <sup>D</sup>	Food-stamp payments	AFDC payments <sup>C</sup>	Total cost <sup>E</sup>
Women	4,088 (2,014)	27.9%	+\$9.05	+11.6	no effect	no effect	\$8.8
Men	3,399 (1,703)	30.7%	+\$7.52	+7.9	no effect	<b>+\$0.77</b>	\$5.3
Female youths	1,807 (850)	48.4%	no effect	+7.7	no effect	no effect	\$4.9
Male youths	1,121 (583)	57.2%	no effect	no effect	no effect	no effect	\$3.2

<sup>A</sup> information in this table is derived from tables 9 and 10

<sup>B</sup> experimental participants (control)

<sup>C</sup> per week; compared to control

<sup>D</sup> in percentage points

<sup>E</sup> \$ millions

improve the employment opportunities for those with low levels of education and skills. Thus, the long-run solution is to ensure that students acquire the appropriate level of skills and education early in life. Such a policy approach is critical to the success of individuals in the workplace.

## **Is the public education system turning out workers unprepared for the workforce?**

### **Literacy in Canada**

Despite a sizeable investment in public schools, an alarming number of students drop out before graduating from high school. The capacity of firms and labour markets to adjust to change, to innovate, and to improve productivity depends upon the knowledge and skills of the population. Different literacy indicators suggest that public education is failing to equip a large proportion of Canadian students with the necessary skills.

Some critics suggest simply that more money should be allocated to education. In fact, Canadians have been pouring ever increasing amounts of tax money into education, spending more in total and per student. Canada's school crisis is not one of insufficient expenditures per pupil. Rather, the crisis is due to school structure, since schools are organized according to a bureaucratic and monopolistic model that does not benefit students.

Moreover, not all education and training is useful to students. Training and education in obsolete skills and occupations will make very small—if any—contributions to growth. To garner international advantages, labour must have skills that are scarce relative to the world supply. Edu-

cational investments should be based on market requirements and must be investments in skills relevant the leading edge of development.

### **A possible solution: vouchers and charter schools**

Schools must be given the freedom to innovate and the requirement to do so. A voucher system that allocates funds directly to students will encourage the proliferation of competitive schools with boards composed of teachers and parents that set the curriculum and are responsive to market requirements. To get funding, schools will have to demonstrate effectiveness. The expectation is, therefore, that competition in the education system will produce superior outcomes.

A recent American study compares the public costs of education and private school tuition and comes up with some with surprising results. In the 1994/95 school year, the average public costs per pupil were US\$6,857. The average tuition cost per private-school pupil was only US\$3,116, less than half the public school costs. The authors of the study found that 67 percent of all private elementary and secondary schools surveyed charge US\$2,500 *or less* for tuition. Thus, a voucher system that provides US\$3,000 per student, per year would trigger a revolution in education as schools are forced to compete, innovate, and improve.

In such a market structure, teachers and principals will be rewarded with more students and higher incomes for their success and suffer the reverse, if they fail to produce successful students. A voucher system would allow parents to choose from a variety of schools, both public and private, and, if they

were wished to do so, to combine the voucher with additional personal income to pay for schools of higher calibre. Such a system would give more choice to individuals in the education of their children. The increased demand on parents to take a more active role in educating their children would also facilitate the creation of a culture of lifelong learning.

In one very important respect, the market for education would be identical to the market for any other good: educational entrepreneurs would have to satisfy customers in order to survive. There is a need for greater market mechanisms in education that will result in greater choice, lower costs, and better results.

## Conclusion

The evidence suggests that intervening in the later stages, i.e. after a student has dropped out of school, is not a successful strategy. A child who does not have the skills to read and write, add and subtract, or think logically and creatively will not be able to compete in the twenty-first century. Creating a culture of lifelong learning is not easy but ensuring that students have the proper foundation of skills is pivotal to developing a national comparative advantage. Therefore, we should begin by changing the incentives facing the public school system and demanding better performance.

## 10 Asking the right questions

Globalization and the consequent restructuring of the economy present a formidable challenge to public policy. In the past, shifts in comparative advantage have occurred slowly and individuals and firms have been able to adapt readily. Today, major shifts in comparative advantage can occur very quickly and individuals and firms that are able to adapt rapidly in the face of change will end up on top of the economic ladder. As the economy changes, some jobs will become obsolete and others will be created. The notion of having the same job for life is no longer appropriate and workers will need to change occupations many times over the course of their careers and, as a consequence, will have to acquire new skills and qualifications. Those who lack a basic educational foundation—those who do not know how to learn—will suffer from a decline in their standard of living.

Understanding the forces that are driving change makes it possible to develop policies that will alleviate some of the transitional hardships. Clearly, the solution lies in having an educated and productive workforce that can adapt quickly to changing economic conditions. If Canada hopes to improve—or even to maintain—the current standard of living in this new high-technology economy, human capital must be at the centre of a coherent economic strategy. We must also determine whether education and training to en-

hance human capital should come primarily from government-sponsored training, from private-sector training, or from the public or private school systems.

To this end, three fundamental considerations must guide the formation of educational policy:

- (1) Are government-sponsored training programs successful and should public-sector labour market programs continue to move from “passive” assistance to “active” training?
- (2) Is the private sector spending too little money on training and should industry be investing more in employee training?
- (3) Is the public education system turning out workers who are not ready for the workforce and do administrators need to revitalize education?

### **Objectives of the study**

Government-sponsored training programs are often seen as the panacea for improving prospects in the workplace for

disadvantaged workers. It is assumed that individuals are unemployed because they do not possess marketable skills and that, by providing education, training, or retraining, individuals can be given the relevant skills so that they can find jobs. British Columbia has developed an extensive youth training component as a part of BC Benefits (administrator of BC Benefits, Youth Works, personal communication with M.D. Smith, December 1996). The province of Alberta has also embarked upon training programs for welfare recipients (Alberta, Ministry of Family and Social Services 1993; Mihlar 1995). It is reasonable to expect that other provinces will follow suit. It is also reasonable to expect that “active” measures will employ an integrated approach supplying not only education and training but also welfare, health care, and a variety of “well-being” social services ranging from nutrition counseling to legal advice to substance-abuse treatment (Courchene 1995: 73).

The United States began a massive investment in programs of this type decades ago and, after 30 years, thousands of local job training programs have been created and billions of dollars have been spent (Wilson 1995). A growing body of experimental research on the effects of such initiatives is accumulating and a thorough examination of these results forms the bulk of this study. The evidence shows that “active” labour-market training programs do not improve the workplace prospects for workers with low skill levels and little education. It is clear from American program evaluations that government can do little, if anything, to alter the effect of neglecting the first 12 years of schooling. Learning from the failures in the United States, Canadian provinces can avoid a similar misallocation of funds.

## Changing dynamics of the Canadian labour market

Technological change—changing what we produce and how we produce it—is the most critical element to long-term economic growth. From the earliest times, humans have survived and grown through innovation and invention. The development of writing, followed much later by the printing press, caused short-term economic upheaval, but immeasurable long-term benefits. Today, expansion in information and computer technology has likewise triggered massive changes in the prevailing economic structure (Mokyr 1990).

In the 1930s promoters of the “secular stagnation thesis” argued that ideas had dried up and, as a consequence, permanent depression would result as the willingness to save outpaced the willingness to invest (Lipsey 1996: 65–66). In the 1960s it was argued that technology was destroying jobs for the unskilled but in the 1980s technology was blamed for creating too many low-skill, low-paying jobs. Economy-wide adjustment is currently underway and doomsayers are once again predicting disaster, this time the end of work itself. (Rifkin 1995; for an examination of Rifkin, see Bloor 1996: 54–64.)

These predictions of disaster can, however, be doubted; consider the facts.

- (1) Job creation has not come to a halt: in Canada the total number of jobs increased from 11.7 million in 1985 to 13.5 million in 1995 (Canada, Dept. of Finance 1996: 59).
- (2) In the past each new technology created more jobs than it destroyed. There is no evidence to suggest that computer technology will somehow be different.

- (3) The growth that accompanies technological change is a boon to future generations. For example, economic growth of just 3 percent has the effect of increasing national income 20-fold in a century (Lipsey 1996: 4).

If past history is any guide, we should embrace technological change since it has improved our standard of living (Rosenburg and Birdzell 1986). Canada's small open economy is dependent on trade, with an export-to-GDP ratio of about 38 percent (IMF 1995). Indeed, Canada's trade performance has been a significant factor in sustaining economic growth since 1988 (Mihlar 1996). Thus, Canada cannot, and should not, insulate itself from these global changes.

Canadian industry faces heavy competition for investment capital and skilled labour, which are increasingly mobile as transportation and communication costs fall. Government economic and social policies that impose greater costs than those adopted by our trading partners, particularly the United States, will induce firms to locate their businesses outside of Canada (Gunderson 1992). The reality is that foreign and Canadian investors will invest in more "business friendly" jurisdictions. A lack of investment will lead to suppressed levels of economic growth, employment growth, and standard of living gains. The only measure that can increase per capita wealth is higher per capita productivity (Gwartney and Stroup 1993: 13–19). Productivity gains can only be realized through technological innovation coupled with a highly skilled labour force.

The relevant policy question is, how should Canadian economic and social policy be adjusted so as to benefit from the opportunities afforded by technological change? In other words, how can Canada maximize the economic benefits

that arise from the changing economy? But first, what are the current economic and social policies that are impeding labour force adaptability and mobility and economic growth in general?

### **Misguided policy interventions: the labour market**

Globalization means that distance and transport costs no longer protect local markets, rather, products can be made anywhere in the world where costs are the lowest. The policy challenge is to create a business environment that will encourage the private sector to create jobs. It is becoming clear that low interest rates and higher savings rates are necessary but not sufficient conditions for strong economic growth. Government needs to resolve the structural labour market rigidities that inhibit firms from hiring new employees (Gruebel and Bonnici 1986; Daly and MacCharles 1986; OECD 1996). Quite simply, training programs without labour force mobility will not serve the goal of labour market adaptability that training programs are expected to facilitate.

In a competitive labour market, wages will equate supply and demand at full employment, all things being equal. In the real world, Canada has averaged 10 percent unemployment in part because numerous public policy decisions impair the free determination of wages and inflate the cost of labour (Canada, Statistics Canada 1996a: 15).

- (1) Minimum wage laws set wages above the equilibrium level, which increases the number of people willing to

work but decreases the number of workers employers are willing to hire (Ernst & Young 1995).

- (2) Forced union membership undermines the bargaining power of employers and likewise inflates wages with similar consequences. Monopoly union power can also be mobilized to resist innovation, impairing a firm's competitiveness and ultimately eroding profits (Addison and Wagner 1996: 756–76; Long 1996: 691–703; Hirsh 1990).
- (3) Employment equity legislation exercises power over a firm's hiring decisions, imposes costly administrative burdens and also interferes with the ability of a firm to adapt in the face of technological change (Burns and Mihlar 1995).
- (4) High and increasing payroll taxes for EI and CPP premiums discourage the hiring of additional employees (Parker 1995).

An economy in a state of flux cannot produce at its full potential until the economy's facilitating policy structures have been altered: that means flexibility. Regulations have to be adaptable and streamlined. Employees need flexible work relations, including working out of home and flexible hours. The tax regime has to be competitive. Furthermore, domestic and foreign direct investment must be encouraged; continued privatization of government business enterprises will recognize that innovation is best left in private hands; devolution of power to local jurisdictions will ensure more responsive government. (For more detail on policy directions,

see Law and Mihlar 1996.) Empirical evidence suggests that nations with the most flexible labour markets adapt quickly to technological change and experience high levels of economic growth and job creation (OECD 1996).

The key is to understand and accept change. But while the benefits of growth accrue to future generations, the immediate pain of change is confined to the present generation. Technological innovation takes place in conditions of extreme uncertainty, which leads to resistance on the part of workers. In addition, firms or organizations with vested interests in the status quo invariably oppose much needed change.

Government could easily pander to narrow interests and halt the process. By making it difficult to innovate, substituting political decision-making for economic decision-making, removing the profit or loss incentive structure of a free market, curtailing economic freedom and compromising the rule of law, a government can discourage business investment and growth. (For a discussion of these ideas, see Lipsey 1996.) But thwarting advancement would invite a myriad of negative economic consequences, especially restricted investment in education and training leading to lower levels of human capital, low productivity, and stifled incomes.

### **Evidence supporting human capital theory**

Apart from economy-wide structural changes, the greatest challenge facing Canada is the necessity of greatly expanding its investment in the development of human capital by means of education and training. An appropriately educated populace is critical to success in the 21st century global economy (Reich 1992).

Today, new skills are being demanded and old skills are being rendered obsolete at a remarkable rate. In order to keep pace, education and skills must be revitalized almost continually and, for this to occur, literacy and numeracy skills are critical. Kindergarten to grade 12 education, therefore, has an important role to play in creating the conditions for lifelong learning.

The *human capital* approach regards education as a form of investment. It assumes that wage rates reflect differences in the marginal productivities of workers. Thus, investing in one's education or skills will increase individual productivity, in turn leading to increased wages. As with any investment, decisions to invest in education and training are based largely on the associated returns or formally, the ratio of costs to the present value of a stream of future benefits. The personal investment is measured by the cost of books, tuition, fees, and the opportunity costs of earnings "lost" while in school. Governments also invest in education through legislating and enforcing attendance but also through direct subsidization, teacher salaries, and provision of equipment and buildings.

However, some investments are simply not good investments: if you borrow at 8 percent and only have a return of 5 percent, it is not a very sensible strategy. Private returns must show that income increases exceed upfront costs whereas social returns must show that the full value of pre-tax income generated by the investment outweighs the cost of education subsidies to taxpayers. Typically the benchmark for determining a prudent investment is 12 percent for individuals—comparable to a market return on investment capital—and 7 percent for government—a comparable return on investment in physical capital (Constantos and West 1991: 127).

Several studies have measured the private and social returns to university, secondary, and primary education. Private returns to university education are between 7 and 14 percent, while social returns are between 6 and 10 percent. These results are generally consistent among the available body of research.<sup>1</sup> Since private returns are greater than social returns, this suggests that tuition could go up without reducing enrollment significantly. In fact, some economists suggest that university education should not be subsidized universally.<sup>2</sup> The low end of the range of returns on investment suggests that, in some cases, investing in university education may not always pay off by the standard of established benchmarks.

Primary and secondary education, on the other hand, are typically sound investments. In the study by Constantos and West, even the most conservative method (correcting for differences in income due to native ability and the deadweight costs of raising additional government revenue) yields a social return to primary education of 11.1 percent and a return to secondary school education of 7.45 percent<sup>3</sup>—surpassing the 7 percent criteria for government investment. While private rates of return to primary and secondary education were not calculated in this study, a 1992 paper examines social and private returns to secondary school by comparing graduate workplace performance with prospects for dropouts (Lafleur 1992). The results are dramatic.

In 1996 dollars, a male dropout can expect his earnings to be a total of \$261,665 lower over his career, and the earnings of a female dropout will be \$217,040 lower.<sup>4</sup> Thus, an investment in education to graduation yields a social return of 10.3 percent and 8.9 percent respectively for males and females, which is consistent with other studies. Private



returns are immense at 41.3 percent for males and 47.7 percent for females, far surpassing the 12 percent benchmark for private investment.

There can be no question that an investment in education to grade 12 graduation represents high returns for each dollar spent. But the importance of high-school graduation is in preparing a student to benefit from training later on—whether in college or university or on-the-job. In the past, “blue-collar” jobs did not require a great deal of education or training and these jobs were readily available at competitive wages (Betcherman 1995: 70–102.). In today’s changing labour market, however, grade 12 is the minimum a student will require to succeed. By failing to

continue to acquire new skills, individuals may be restricting themselves to the lowest level of earnings (more on this in the final section).

Canadian governments are increasingly allocating monies into government-sponsored training programs or “second-chance” programs (Lafleur 1992: 100) for high-school dropouts and those with low educational attainment. With ever decreasing budgets, governments must justify their expenditures. Does a government investment in education and training for such disadvantaged workers provide similarly high returns? If not, do they at least pass the criterion of a 7 percent return for a sensible government investment?

## 16 Question One

# Are government-sponsored training programs working? Evidence from the United States

### Legal framework

In the United States, government involvement in training began with the Manpower Development and Training Act (MDTA). This was followed by the Comprehensive Employment and Training Act (CETA), which was replaced in 1982 by the Job Training Partnership Act (JTPA). All three were voluntary programs that assisted workers displaced from employment due to changing labour market conditions. Since the 1960s, however, new programs have been aimed at the poor or disadvantaged and previously devised programs have been reoriented to serve disadvantaged people.<sup>5</sup> Throughout the 1980s, the Work Incentive (WIN) program was a mandatory program targeting job-ready welfare recipients. When the Family Support Act was enacted in 1988, WIN was replaced with the JOBS program.<sup>6</sup> JOBS further expanded the welfare-to-work initiative.

The legislative changes resulted in a two-fold mandate:

- training for *displaced* workers in labour-short occupations to meet goals of increased national output and reduced unemployment
- training the *disadvantaged* to decrease the costs of income maintenance programs and lessen the burdens on specific disadvantaged groups of the unemployed.

The demographic profile of participants has changed dramatically since this new focus was adopted. In the early 1960s, participants were primarily male, aged 22 and above, white, heads of households, with high-school completion and experience in the labour force (Barsby 1972). Today's programs are aimed primarily at women, aged 25 to 34, white, single heads of households, often with neither high-school completion nor extensive experience in the labour market.

Displaced workers face challenges different from those of disadvantaged workers. They experience great difficulty in finding new jobs that pay wages close to what they earned in their previous employment and they are more "job ready" than disadvantaged workers. Programs have been implemented to target this group; these include Job Search Assistance,<sup>7</sup> Self-Employment Assistance Programs,<sup>8</sup> and Reemployment

Bonus programs.<sup>9</sup> Unfortunately, rigorous evaluations<sup>10</sup> for short-term and long-term training programs for displaced workers have not been performed.<sup>11</sup> This Critical Issues Bulletin, therefore, primarily considers “welfare-to-work” programs targeting disadvantaged workers since there are rigorous evaluations for these programs.

## Categories of recipients

There are three primary categories of disadvantaged recipients: poor single parents, disadvantaged adults, and out-of-school disadvantaged youth.<sup>12</sup>

### Poor single parents

Poor single parents, mostly female, receive benefits under Aid to Families with Dependent Children,<sup>13</sup> Family Group (AFDC-FG). Single parents require special assistance to enter the workforce with additional programs such as child care and other support services. Earnings prospects for female single parents are particularly poor since they are often under-skilled and under-educated.

### Disadvantaged adults

Disadvantaged adults with children receive benefits under Aid to Families with Dependent Children Unemployed Parent (AFDC-U). They are often displaced workers who are unemployed and disadvantaged but also have a sketchy work history and ineligibility for unemployment insurance benefits and training programs due to this lack of work experience. Single parents with older children who do not require child-care assistance may also fall into this category.

## Out-of-school disadvantaged youth

Out-of-school disadvantaged youth, aged 16 to 21, are targeted to encourage either their return to school after dropping out or to assist in increasing their labour market prospects through training.

## Methods used in the programs

There are four primary approaches to assisting these target groups: job search, short-term training, long-term training, and subsidized employment. Most programs with rigorous evaluations have an integrated program design utilizing two or more of these employment strategies for participants.

### Job search

Job search is the least expensive approach. It can be independent and unsupervised, or guided by an advisor. Job Club is a related approach that provides a two-to-three week course in goal-setting, looking for a job, preparing a résumé, and filling out applications, as well as instruction on conduct in personal interviews. Job Readiness Training trains participants in the attitudes and behaviours needed to succeed in the workplace.

### Short-term training

Short-term training can either be three to six months of classroom instruction or of unpaid Community Work Experience (CWEP). Common coursework includes cosmetology, barbering, truck driving, secretarial skills, and computer skills. (CWEP must be distinguished from workfare, which sets a work requirement for individuals receiving welfare.) Program designers intended that CWEP allow participants to acquire

skills in a non-profit organization. However, program participants and caseworkers have reported their belief that CWEP is merely a way to “work off” the grant.<sup>14</sup> This study considers CWEP in the spirit of the program designers’ intentions, that is, to allow participants to acquire workplace skills.

### **Long-term training**

Long-term training embodies several programs. Adult Basic Education (ABE) teaches basic literacy and numeracy skills. General Equivalency Diploma (GED) provides the equivalent credential, though not equivalent instruction, to a high-school diploma. This is an important distinction. Typically those with GED have better workplace prospects than high-school dropouts but inferior prospects than high-school graduates. GED is more important as a credential to allow participants to pursue higher education. English as a Second

Language (ESL) is aimed at individuals without an adequate, working understanding of English. A two-year college program can include general post-secondary education or specific (vocational) training. A four-year college program is a general post-secondary program.

### **Subsidized employment**

Subsidized employment is when the government provides a partial subsidy to a private sector employer to hire and train a disadvantaged worker. Although the provision of short-term or long-term employment is often in the private sector, it may sometimes include public sector employment. On-the-job training (OJT) is also subsidized employment, however, the employer is under no obligation to retain the trainee. After the period of subsidized employment is complete, it may be followed by assisted job search.

## **Programs for poor single parents**

### **Florida Project Independence (FPI)**

#### **Objective and target group**

Florida Project Independence (see Kemple, Friedlander, and Vellerath 1995) was designed to increase experimental group members’ self-sufficiency and produce government savings through diminished public-assistance costs. Over the period of July 1990 to August 1991, 18,237 participants were randomly assigned to either an experimental or a control group. For those assigned to the experimental group, the

program was mandatory for all state single parents with children age three or over.<sup>15</sup> The typical program participant was female, English-speaking, aged 32, job ready, and had children with the youngest child over 6 years; 41.4 percent of the participants did not have either high-school graduation or GED (Kemple *et al.* 1995: 31–2).

#### **Description**

The program emphasized low-cost job search, with more expensive education and training reserved for those consid-

ered least able to find work on their own. There were two service tracks: one for those in the experimental group who were considered *job ready* and another for those who were considered *not job ready*.

Those considered job-ready had completed grade 10 and had been employed for 12 of the previous 36 months. They began an unsupervised 2-week job search in which they had to document contacts with at least 12 potential employers. If this was unsuccessful, they participated in Job Club training followed by an extended independent job search of 4 to 6 weeks.

Those considered not job ready had not completed grade 10 and had been employed fewer than 12 months in the previous 36. It also included job-ready participants who were still unemployed after their second job search. They began with a formal assessment that tested for basic literacy and they discussed career interests and developed an Employability Plan with a caseworker. They were assigned to basic education, post-secondary education, or occupational training, and provided with tuition assistance and support services including child care, transportation, tools, and uniforms.

To enforce the mandatory participation, those not participating in some employment-related activity could have their monthly AFDC benefits reduced. By the end of the second year, 63.9 percent of participants, compared to 40.1 percent of those in the control group, had participated in at least one employment-related activity (Kemple *et al.* 1995: 51–54).

## Results

In evaluating the results, some external factors should be considered. There was a dramatic expansion of in the AFDC caseload over the period in question. This increased case-

load and hiring freezes prevented case managers from providing a consistent level of case management. Also, some control-group members were treated like those in the experimental group—attending orientation, participating in independent job search and experiencing sanctions—and this could have caused the effects of the program to be underestimated.

### **Control Group**

The control group was not subject to AFDC grant sanction and was not allowed to receive FPI case management or employment and training services. They could, however, seek similar services on their own and were provided a list of non-FPI employment and training programs. Furthermore, child care and tuition assistance were available, and they remained eligible to receive AFDC grants, Medicaid, and Food Stamps. The cost per control group member was \$1,074 (Kemple *et al.* 1995: 76).

Despite this outlay, 36.2 percent of those in the control group were never employed during the two year period (Kemple *et al.* 1995: 94). Average annualized earnings amounted to only \$2,770.<sup>16</sup> Welfare dependence remained high: 89.5 percent of control-group members received an average of \$4,293 in AFDC benefits over two years (Kemple *et al.* 1995: 94).

### **Experimental Group**

FPI was designed to improve this dismal performance by spending an extra \$888 on members of the experimental group.<sup>17</sup> However, program outcomes were modest at best, with very small positive impacts on average earnings, employment rates, AFDC receipt and AFDC payments (see table 4).

Over two years, 33.7 percent of the experimental group were never employed, representing a reduction of only 2.5 percentage points.<sup>18</sup> The program did not reduce poverty. With annualized average earnings of \$2,883, those in the experimental group earned only \$2.18 more per week than those in the control group.<sup>19</sup>

Florida Project Independence did not substantially shrink government budget expenditures. Despite their participation in the program, 88.3 percent of those in the experimental group still received AFDC benefits, only 1.1 percentage points less than the control group.<sup>20</sup> Those in the experimental group received \$4,028 over two years, a minimal reduction of \$2.55 per week,<sup>21</sup> indicating that

members of the experimental group remained highly dependent upon AFDC benefits.

Moreover, even though 59.2 percent of program funds were spent on education, FPI did little to increase the educational attainment of experimentals.<sup>22</sup> At the end of two years, experimentals and controls had the same level of certification for GED or high-school graduation (about 57 percent), trade certification (about 32 percent), Associate's degrees (granted upon completion of a two-year program, about 4 percent) or B.A. degrees (about 2 percent) (Kemple *et al.* 1995: 62).

In general, smaller favourable impacts were witnessed by women with children too young to go to school

**Table 4 Performance indicators: programs for poor single parents (adults)**

Program	Sample size <sup>A</sup>	Percent with <12 years of education	Earnings <sup>B</sup>	Employment <sup>C</sup>	AFDC receipt <sup>C</sup>	AFDC payments <sup>B</sup>
FPI	13,509 (4,724)	41.9%	+\$2.18	+2.5	-1.1	-\$2.55
Baltimore Options	1,362 (1,395)	56.5%	+\$7.58	no effect <sup>D</sup>	no effect	no effect
Ohio Work Choice	2,601 (1,664)	43.3%	+\$2.27	+3.4	no effect	no effect
California GAIN	17,852 (5,164)	41.3%–65.4 <sup>E</sup> %	+\$9.06	+5.9	-3.0 <sup>F</sup>	-\$6.17
Riverside GAIN	4,568 (1,058)	49.6%	+\$19.96	+13.6	-5.2 <sup>F</sup>	-\$12.7
San Diego SWIM	1,605 (1,605)	43.9%	+\$7.98	+7.1	no effect	-\$7.07

<sup>A</sup> experimental participant (control)

<sup>B</sup> per week; compared to control

<sup>C</sup> in percentage points

<sup>D</sup> not statistically significant.

<sup>E</sup> across 6 counties

<sup>F</sup> last quarter

and greater benefits accrued to earlier program participants and sample members who had been receiving AFDC for two or more years.

The program did not succeed in increasing self-sufficiency: those in the experimental group had minimal earnings gains and still relied heavily on AFDC payments. The program failed to meet its goal of reducing government expenditure in two ways: first, those in the experimental group remained dependent on AFDC grants, and, second, FPI, like several other programs, did nothing to discourage the subsequent opening of new AFDC cases. The government spent a total of \$26.5 million on this program (see table 5).<sup>23</sup>

## Baltimore Options

### Objective and target group

The Options program (see Friedlander and Burtless 1995) was conducted in Baltimore, Maryland and commenced in 1982. The program's goal was to increase employment of participants in better-paying jobs. As a result, considerable efforts were expended to assess participants' capabilities and needs and to match individuals with the most suitable kinds of employment. The program placed a high priority on helping participants obtain better jobs, even if it meant staying on AFDC longer. Over the assignment period, 2,757

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**Table 5 Costs: programs for poor single parents (adults)**

Program	Sample size (A) <sup>A</sup>	Total cost of program (B) <sup>B</sup>	Total cost per experimental (B)/(A) = (C) <sup>C</sup>	Total cost per control (D) <sup>D</sup>	Net cost per experimental (C) - (D) = (E) <sup>E</sup>	Net cost of program (E) × (A) = (F) <sup>F</sup>
FPI	13,509 (4,724)	\$26.5	\$1,962	\$1,074	\$888	\$12.0
Baltimore Options	1,362 (1,395)	\$1.4	\$1,050	\$97	\$953	\$1.3
Ohio Work Chance	2,601 (1,664)	\$2.3	\$689	\$271	\$418	\$1.4
California GAIN	17,852 (5,164)	\$87.4	\$4,895	\$1,472	\$3,422	\$61.1
Riverside GAIN	4,568 (1,058)	\$15.8	\$3,469	\$1,871	\$1,597	\$7.3
San Diego SWIM	1,605 (1,605)	\$2.5	\$1,545	\$626	\$919	\$1.5

<sup>A</sup> experimental participant (control)

<sup>B</sup> \$ millions; total cost of program is the total cost per experimental participant × number of experimental participants

<sup>C</sup> total cost per experimental includes administration, case management, employment and training services, child care, etc.

<sup>D</sup> total cost per control includes administration and other services available in the community

<sup>E</sup> net cost per experimental is the difference between total costs for an experimental and a control group member

<sup>F</sup> \$ millions; net cost of program is the net cost per experimental × the number of experimental participants

participants were placed in the program or in a control group. Despite the stated program goals, typical participants could hardly be considered job ready, since they had had no earnings in the 6 months prior to commencing the program and had been on AFDC for more than two years. They tended to be over 30, African-American, and to have more than one child; 56.5 percent did not have high-school accreditation (Friedlander and Burtless 1995: 66).

### **Description**

Options consisted of job search, a 3-month period of unpaid community work-experience and moderately expensive education and training services. There was no fixed sequence of events and job search was not automatically assigned as the first activity. Instead, caseworkers made efforts to assess capabilities and needs in order to match individuals with the most suitable kinds of employment.

Participation in the program was mandatory and subject to sanction although staff preferred to secure compliance through persuasion. However, this cooperative approach did not yield higher participation rates: only 45.0 percent of those in the experimental group participated in any employment-related activity (Friedlander and Burtless 1995: 51).

The participation requirement ended when the experimental group member completed assigned activities and still remained unemployed.

### **Results**

This program was subject to a rigorous 5 year evaluation that followed-up on participants to assess the long-term effects of the program. Certain factors should be kept in mind while examining the results of the program. Programs are not typical-

ly designed to have this time horizon for evaluation. Thus, it is reasonable to expect that members in control groups may have subsequently been enrolled in other programs, which would presumably alter outcomes. Also, earnings data had to be interpolated in some instances due to missing quarterly information. Finally, at the time of the study, the state of Maryland's AFDC benefits fell in the middle range when compared with other states and average female unemployment was 7.0 percent (Friedlander and Burtless 1995: 51).

### **Control group**

The control group was not subject to AFDC grant sanction and remained eligible for child care, AFDC grants, Medicaid, and Food Stamps. They could not receive Options case management nor did they receive any employment and training services. As a result, the cost per control group member was \$97.<sup>24</sup>

Over the five-year evaluation period 24.3 percent of those in the control group never found employment (Friedlander and Burtless 1995: 109–110). Average annualized earnings amounted to \$2,923 (Friedlander and Burtless 1995: 109–110). There was high dependence on AFDC grants, with 95.4 percent of those in the control group receiving payments of \$6,424 over a three-year follow-up period (Friedlander and Burtless 1995: 154–5).

### **Experimental group**

The purpose of the Options program was to improve on these results by spending an additional \$953 per experimental (Gueron and Pauly 1991: 256–7). The program did not increase employment, nor did it decrease AFDC receipt or benefits. It only modestly increased average earnings (see table 4).



Over the evaluation period, there was no statistically significant difference between the employment rates of those in the experimental group and those in the control group. The available data on AFDC receipt shows that there was no statistically significant reduction in government budget expenditures either. Over the 5 years, 95 percent of those in both the experimental and the control groups received AFDC payments, averaging \$6,400 each (Gueron and Pauly 1991: 154–55).

Furthermore, the program did not lead to faster case closure, did not decrease monthly grants, did not reduce recidivism (return to the AFDC caseload after leaving) and did not curtail the incidence of long-term AFDC receipt.

Annualized earnings for those in the experimental group averaged \$3,317, indicating that the program did not alleviate poverty (Gueron and Pauly 1991: 109–10). Those in the experimental group earned only \$7.58 more each week than did those in the control group.<sup>25</sup> It also did not extend the duration of employment or diminish the likelihood of job loss.

Effects did not emerge over time. After three years, there was still no statistically significant difference between average AFDC receipt by either the experimental or the control group (both were about 50 percent) and no difference in average annual payments (both were about \$1,800) (Gueron and Pauly 1991: 89). After 5 years, there was no difference in average employment rates (both were about 48 percent) (Gueron and Pauly 1991: 88). Furthermore, effects on earnings began to erode and only a small difference in average annual earnings was evident after 5 years (Gueron and Pauly 1991: 88).

Clearly the program did not meet its goal of providing a meaningful increase in better-paying jobs for those in the

experimental group. The total program cost was \$1.4 million, and it did not produce any savings for the government through reduced transfers (see table 2).<sup>26</sup>

## Ohio Work Choice

### Objective and target group

Ohio Work Choice (see Fein *et al.* 1994) was designed to stress human-capital investments in education and training with an expectation of long-term payoffs. Between January 1989 and March 1990, 5,609 participants were randomly assigned to experimental or control groups. The program targeted single parents with children under the age of six. The typical Work Choice participant was 25 to 39, non-white, with two children, had not been employed in the workforce in the previous 6 months, and had been on AFDC for two or more years; 43.3 percent had less than 12 years of education and 44.5 percent had only 12 years (Fein *et al.* 1994: 41).

### Description

Work Choice targeted single parents with children under age 6. Those in the experimental group were given incentives to participate although participation in training or employment was on a voluntary basis. Participants did have to take part in mandatory employability assessment and counseling or they risked sanction. In reality, however, only two in the experimental group were ever sanctioned. To ease those in the experimental group into self-sufficiency, transitional Medicaid and child care benefits were offered. Only 4 percent of the experimental group and three percent of the control

group used the Medicaid extended benefits in the 18 month follow-up period (Fein *et al.* 1994: 90).

Since the program was voluntary, it is not surprising that participation rates were very low. Only 14.1 percent of the experimental group participated in any activity (Fein *et al.* 1994: 44). Of those assigned to an activity, a high proportion were given basic (34.2 percent) or post-secondary (33.4 percent) education. Job skills training was given to 17.7 percent of those who were assigned, job readiness training to 16.0 percent, and job club to 11.7 percent. Community Work Experience (CWEP) was the least popular activity, extended to only 1.4 percent of assigned experimentals.

## Results

This program experienced design and implementation problems. In addition, a poor economy at the time of the program may have affected results. Over this period, 5.8 percent of the Ohio population, representing 223,129 individuals, were receiving AFDC benefits and 10.9 percent of these were two-parent families (Fein *et al.* 1994: 20). In addition, 12.5 percent of the population was classified by government sources as living in poverty.<sup>27</sup>

### Control group

The control group was not subject to AFDC grant sanction and remained eligible for child care, AFDC grants, Medicaid, and Food Stamps. They did not receive Work Choice case management and it was assumed that they did not receive any employment and training services. The cost per control group member was \$271.<sup>28</sup>

Over the eighteen month evaluation, 62.5 percent of the control group never found employment (Fein *et al.* 1994:

79). Average annualized earnings were \$871.<sup>29</sup> In this period, 83.2 percent of control-group members received AFDC over the entire 18 months, and payments averaged \$4,961 (Fein *et al.* 1994: 84).

### Experimental group

Work Choice spent an additional \$418 per experimental to improve on these results.<sup>30</sup> However, the program did not diminish AFDC receipt or reduce AFDC payments, and barely raised earnings and increased employment rates (see table 1).

Over the 18 months, 59.1 percent of the experimental group never found employment, a difference of 3.4 percentage points.<sup>31</sup> There were only small additions to total earnings: those in the experimental group earned \$989 annually, or \$2.27 more per week<sup>32</sup>. The program did not alleviate poverty or decrease government budgetary outlays: about 83 percent of both groups received AFDC over the entire 18 months, receiving an average of \$5,000 over the period (Fein *et al.* 1994: 84).

The most positive results were among clients with more than 12 years of education and a completed high-school diploma. Less favourable outcomes were found for those who had been recently employed prior to receiving AFDC.

Although evaluators suggest that long-term impacts must be considered because of the emphasis on education and training, results are likely to be very disappointing. Only 4.8 percent of the experimental group engaged in basic education and only 4.7 percent enrolled in post-secondary education (Fein *et al.* 1994: 44). The total program cost was \$2.3 million (see table 2).<sup>33</sup> In light of this evidence, the program is shown to have failed in its objective to increase human-capital investments in education and training.

## California Greater Avenues to Independence (GAIN)

### Objective and target group

The California GAIN program (see Riccio, Friedlander, and Freedman 1994) was designed with the goal of increasing the experimental group member's self-sufficiency.<sup>34</sup> It was also intended to produce government budget savings through reduced public assistance costs. Participants from six counties were randomly assigned to experimental (22,971 participants) and control groups from early 1988 to mid-1990. (Riverside county is included here but treated as a special case to follow.) There was no typical member of the experimental group and characteristics varied considerably across counties. Across the 6 counties, the incidence of high-school dropouts or lack of GED ranged from 41.3 percent to 65.4 percent, and those determined to need basic education ranged from 49.0 percent to 80.6 percent across counties (Riccio *et al.* 1994: 18).

### Description

GAIN utilized educational and skill levels to sort registrants into one of two service streams, one for those in need of basic education and another for those not in need of basic education.

Those in need of basic education were individuals who did not have either high-school education or GED; those who failed to achieve passing scores on both parts of a joint math and reading test; and those who were not proficient in English. Those of the experimental group who fell in this category could enroll in Adult Basic Education, GED, or ESL, or could participate in job search activities.

Those not in need of basic education had a high-school diploma or GED and had passed both parts of the joint math and reading test. Although job search was the first activity, those already enrolled in education or training could obtain permission from GAIN administrators to remain in their programs as long as their training was complete within two years of entering GAIN. If these initial steps did not result in self-sufficiency, then members of the experimental group would undergo an employability assessment to guide the choice of the next activity: skills training, vocationally oriented post-secondary education, on-the-job training, or unpaid community work-experience.

The members of the experimental group could be subject to sanction if they did not participate, although there was a multi-step process of enforcement. First, a Notice of Participation was sent to outline sanctions if problems persisted. The second step was conciliation, where case managers attempted to persuade members to participate. The sanction of benefits reduction was imposed as a last resort. Of those determined to be in need of basic education, 20.5 percent participated in job search and 52.6 percent participated in basic education.<sup>35</sup> Of those who did not require basic education, 44.0 percent participated in job search and 42.8 percent took part in vocational or post-secondary training (Riccio *et al.* 1994: 44).

Participation was, thus, quite low and, not surprisingly, 18.9 percent of the experimental group were, at some point, in conciliation, under sanction, or slated to be sanctioned,<sup>36</sup> and 50.3 percent were deregistered (Riccio *et al.* 1994: 60). However, each county made widely differing decisions on how much emphasis was to be placed on quick entry to the job market and the speed of dealing with non-compliance.

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Of the entire group, basic education was the most popular activity with 36 percent participation, followed by job search (28.5 percent), and vocational or post-secondary education (26.4 percent). The least popular activities were on-the-job training (1.0 percent) and CWEP (1.0 percent) (Riccio *et al.* 1994: 41).

The majority of spending—62.3 percent—was on education and training.<sup>37</sup> It is difficult to know the effect of this spending on education achievement since control group results are not recorded. Results are very similar to outcomes for experimental and control groups in the FPI demonstration. In GAIN, certification for GED or high-school graduation was 59.6 percent (compared to 57 percent in FPI), trade certification was 29.4 percent (compared to 32 percent), Associate's degrees were 5.0 percent (compared to 4 percent) and B.A. degrees were 2.1 percent (compared to 2 percent) (Riccio *et al.* 1994: 47).

## Results

In the United States, the state of California has the largest AFDC caseload, which may have some impact on results. There were implementation problems as well, as administrators were required to adapt to operating a new program, legislative changes, and funding restrictions that temporarily suspended the intake of clients and impeded continuity of GAIN services in some cases.

### Control group

The control group was not subject to AFDC grant sanction and was not allowed to receive GAIN case management, child care services, or employment and training services. They could seek services on their own initiative and after

two years could enter GAIN at their own insistence if openings were available. They remained eligible to receive AFDC grants, Medicaid, and Food Stamps. The cost per control group member was \$1,472 (Riccio *et al.* 1994: 93–4).

Even with this sizeable funding, 49.2 percent of the control group were never employed over the three year evaluation period (Riccio *et al.* 1994: 122). Annualized average earnings were only \$2,122 (Riccio *et al.* 1994). In the last quarter of year three, 55.5 percent of controls received AFDC grants (Riccio *et al.* 1994). Over the three year period, average AFDC benefits were \$15,426 per control (Riccio *et al.* 1994).

### Experimental group

GAIN was supposed to improve these results by spending an additional \$3,422 per member of the experimental group.<sup>38</sup> Over three years, only modest improved outcomes were found with respect to average earnings, employment rates, AFDC receipt, and AFDC payments (see table 1).

In this period, members of the experimental group had annualized earnings of \$2,594,<sup>39</sup> and earned only \$9.06 more per week<sup>40</sup> than those in the control group. In addition, there were only marginal increases in employment of 5.9 percentage points while 43.3 percent of the experimental group never found jobs in the three years.<sup>41</sup> With the exception of Riverside county, the program did not increase the likelihood that the members of the experimental group would be employed in the follow-up period and likewise did not improve prospects for either full-time employment or employment in good jobs. (“Good jobs” are those that, for example, allowed the individual to earn more than \$200 per week or that provided health benefits.)

The program did not reduce poverty. Besides minimal earnings and employment increases, in the third year of the program, only 19.7 percent of the experimental group earned over \$5,000 and only 12.1 percent earned over \$10,000 that year.<sup>42</sup> Only 20.2 percent had income above the 1992 poverty line (Riccio *et al.* 1994: 60). Control group members had similar outcomes. In addition, the program also saw no decline in Food Stamps receipt. Over the three year period, about 89 percent of both groups received benefits. Those in the experimental group received an average of \$2,817 in Food Stamp benefits while those in the control group received \$2,904, a difference of \$0.56 per week.<sup>43</sup>

Members of both groups remained dependent upon AFDC benefits, and over the three year period, those in the experimental group received \$14,464, just \$6.17 per week less than those in the control group.<sup>44</sup> The program did not result in self-sufficiency for the experimental group, nor did it substantially diminish government budget expenditures. In the final quarter of year three, 52.5 percent of the experimental group were still receiving AFDC benefits, only 3.0 percentage points less than the control group.<sup>45</sup> Furthermore only 18.8 percent of the experimental group were both employed and off AFDC in the last quarter of the evaluation (Riccio *et al.* 1994: 157).

Even when the results were statistically significant, the magnitude varied considerably across the six counties. In individual counties, impacts were not always significant. Neither were they significant across all subgroup categories in every case.

Costs for the experimental group likewise varied across counties with total costs ranging from \$3,469 per individual to as high as \$6,977 (Riccio *et al.* 1994: 93–4). Net

costs ranged from \$1,597 to \$5,789. While most spending was for education and training, this target group also required child care and other support services, which accounted for 13.2 percent of costs (Riccio *et al.* 1994: 78).

Despite failing in their objectives of increasing the self-sufficiency of those in the experimental group and producing government budget savings, the program had a total cost of \$87.4 million (see table 2).<sup>46</sup>

## Riverside Greater Avenues to Independence (GAIN)

### Objectives and Target Group

The purpose of the Riverside GAIN program was to increase employment (see Riccio *et al.* 1994). This goal resulted in a unique program structure. Administrators randomly assigned 5,626 individuals to either an experimental or a control group between 1988 and 1990. The typical program was likely to be a long-term AFDC recipient and had not been employed in the previous 2 years. In addition they were typically white, English-speaking, aged 33, with 2 children; 49.6 percent had not graduated from high school or did not have a GED, and 60.3 percent were in need of basic education (Riccio *et al.* 1994: 18).

### Description

In terms of its general structure, the Riverside program was no different from the California GAIN demonstration. Educational and skills levels were used to sort registrants into the two service streams depending on whether basic education was necessary or not. Those in need of education could enroll

in ABE, GED, or ESL, or participate in job search. Those not in need of education would participate in job search first. If unsuccessful, they would undergo employability assessment and be steered into skills training, vocational post-secondary schooling or on-the-job training.

What distinguished Riverside county from the other counties was its particular combination of practices. The program had an employment focus and made job development efforts a priority. Job placement standards were in place for case managers, which helped to secure participation from all mandatory registrants. The use of enforcement procedures was particularly distinctive. The message sent to members of the experimental group was that gaining employment was the central concern, that it should be sought expeditiously, and that low-paying job opportunities should not be turned down.

For those in the basic education service track, administrators focused efforts on job search and basic education. For the other service track, job search was primary. The program also experimented with caseloads of different sizes for project managers. While the regular group had a 97-to-1 registrant to staff ratio, the “enhanced” group had a 53-to-1 ratio. In the discussion of results, however, this distinction is irrelevant since no statistically significant differences can be attributed to this variation.

Riverside GAIN was more likely than other programs to sanction those in the experimental group if they did not participate. Over the course of the demonstration, 33.9 percent of the Riverside experimental group were in conciliation, sanction, or slated for sanction (compared to 18.9 percent in California as a whole) and 79.4 percent were deregistered (compared to 50.3 percent) (Ricchio *et al.* 1994:

60). This program had higher participation in job search but lower participation in education and training. For those who required basic education, 32.0 percent participated in job search and 40.6 percent participated in basic education.<sup>47</sup> For those who did not require basic education, 50.1 percent participated in job search and 40.9 percent took part in vocational or post-secondary training (Ricchio *et al.* 1994: 44).

Of the entire group, job search was the most popular activity with 38.0 percent participation, followed by basic education (27.4 percent), and vocational or post-secondary education (26.8 percent) (Ricchio *et al.* 1994: 41). The least popular activity was on-the-job training (0.8 percent); CWEP was not assigned at all.

Although only 46.1 percent of the budget was spent on education and training, less than the California GAIN expenditure, similar certification levels to the California program were achieved.<sup>48</sup> In the Riverside case, certification for GED or high-school graduation was 55.6 percent (compared to 59.6 percent in California), trade certification was 28.2 percent (compared to 29.4 percent), Associate’s degrees were 4.9 percent (compared to 5.0 percent) and B.A. degrees were 1.6 percent (compared to 2.1 percent) (Ricchio *et al.* 1994: 47).

## Results

### **Control group**

The control group could not be sanctioned and did not receive GAIN case management, child care services, or employment and training services. They could seek other services in the community on their own and also could insist on entering GAIN after two years provided that openings were available. They remained eligible to receive AFDC grants,

Medicaid, and Food Stamps. The cost per control group member was \$1,871 (Ricchio *et al.* 1994: 93).

Despite this expenditure, poor results were evident. Over three years, 46.6 percent of the control group never found jobs and average annualized earnings were only \$2,112.<sup>49</sup> In the final quarter of the evaluation, 45.8 percent of the control group were still receiving AFDC grants (Ricchio *et al.* 1994: 120), and over the three years, they received an average of \$13,267 in AFDC benefits (Ricchio *et al.* 1994: 120).

### **Experimental group**

The Riverside GAIN program spent an additional \$1,597 per experimental to improve outcomes (Ricchio *et al.* 1994: 93). It was clearly the most successful of the Welfare-to-Work single-parent programs. However, even the most successful program had less than spectacular impacts on average earnings, employment, AFDC receipt, and AFDC payments (see table 1).

The members of the experimental group earned \$19.96 per week<sup>50</sup> more than members of the control group although their average earnings were still very low—\$3,149 annualized over three years.<sup>51</sup> At the end of the three year period, 32.9 percent of the experimental group had never been employed, a difference of 13.6 percentage points.<sup>52</sup> But reduction in poverty was still minimal: only 23.7 percent of the experimental group earned over \$5,000 in year three and only 13.6 percent earned more than \$10,000 (Ricchio *et al.* 1994: 127). In addition, only 19.4 percent had income above the 1992 poverty line (Ricchio *et al.* 1994: 160).

The Riverside program did appear to improve slightly the likelihood of employment in the follow-up period, the opportunity for full-time employment, and employment in better jobs (those offering over \$200 per week or health benefits).

Members of the experimental group continued to receive large AFDC benefits of \$11,284 over the three years (Ricchio *et al.* 1994: 120). This represented a reduction of \$12.71 per week.<sup>53</sup> The self-sufficiency of the experimental group was not greatly enhanced: only 23.0 percent were both employed and off AFDC in the last quarter of year 3 (Ricchio *et al.* 1994: 156). The decrease in Food Stamps receipt was also minor. Over the three year period, about 81 percent of both groups received benefits (Ricchio *et al.* 1994: 120). Those in the experimental group received an average of \$1,988 in Food Stamp benefits compared to those in the control group, who received \$2,178, a difference of \$1.21 per week.<sup>54</sup>

Riverside was a qualified success. Although it did appear to extend employment slightly, it did not decrease poverty or welfare dependence. However, the total cost to government was \$15.8 million (see table 2).<sup>55</sup>

## **San Diego Saturation Work Initiative Model (SWIM)**

### **Objective and target group**

The objectives of SWIM (see Friedlander and Burtless 1995) were to augment employment and reduce AFDC receipt more than to improve job quality. The emphasis was on maximum participation, rapid employment, and closure of AFDC cases. Commencing in 1985, 3,211 participants from two San Diego metropolitan welfare offices were randomly assigned to either an experimental or control group. The typical participant was an AFDC recipient with no prior earnings, had been on AFDC for more than two years, had more than

one child, was over 30 years old, and non-white; 43.9 percent did not have high-school graduation or GED (Friedlander and Burtless 1995: 66).

### **Description**

SWIM featured a fixed sequence of activities. Experimentals began with a two-week job search workshop followed by three months of unpaid work experience and bi-weekly job-club sessions. Assignments were set up under the Community Work Experience Program (CWEP) and scheduled to be 20 to 30 hours per week. If employment was not obtained by this point, the final step was assessment and referral to community education and training. This was operated by outside organizations but participation was mandatory. In practice, many individuals found jobs or left AFDC for some other reason before this point. While participation in the program could extend for years, those in the experimental group who had children aged 6 and older were obligated to participate while receiving AFDC benefits or they faced sanction with partial, temporary benefits reduction.

SWIM had a target of 75 percent participation by members of the experimental group but only 64.4 percent participated in any activity (Friedlander and Burtless 1995: 51). Of those who participated, over half (50.6 percent) engaged in job search. The second most common option was education and training (24.3 percent), followed by unpaid community work experience (19.5 percent).

### **Results**

Before examining the results, it is important to set the context. At the time of the study, the female unemployment

rate was 9 percent and California AFDC payments were among the highest in the United States (Friedlander and Burtless 1995: 51). Both of these must be considered when interpreting the results. Like Baltimore Options, SWIM was evaluated over five years in order to see the long-term effects. Programs are not often designed to have this time horizon for evaluation. In this case, one-fifth of those who were members of either the experimental group or the control group were subsequently enrolled in Greater Avenues for Independence (GAIN), a fact that may have altered the long-term results.

#### ***Control group***

The control group did not receive SWIM case management or employment and training services. They were not required to participate and did not face benefits sanction. They remained eligible for child care services, other community services, AFDC grants, Medicaid, and Food Stamps. Each control group member cost \$626.<sup>56</sup>

Under this design, results were very poor. Over a 63 month follow-up, 95.9 percent of those in the control group had received AFDC benefits amounting to \$18,688 on average (Friedlander and Burtless 1995: 154–55). Annualized earnings over 5 years were only \$2,807 and 32.5 percent of the control group never found employment (Friedlander and Burtless 1995: 109–10).

#### ***Experimental group***

SWIM was allocated an additional \$919 per participant to improve these results (Gueron and Pauly 1991: 256–57). However, the program did not lessen AFDC receipt and re-



sulted only in small changes for average earnings, employment, and AFDC payments (see table 1).

Over 5 years there was no statistically significant differences between AFDC receipt by the experimental group and AFDC receipt by the control group: both were about 96 percent (Friedlander and Burtless 1995: 154-5). Both groups remained dependent upon AFDC; those in the experimental group received \$16,758 over 63 months (Friedlander and Burtless 1995: 154-5). The program reduced payments by only \$7.07 per week.<sup>57</sup>

The program resulted in slightly faster case closure, marginally decreased monthly grants and barely decreased long-term AFDC receipt. It did not curtail rates of recidivism.

Annualized earnings for those in the experimental group averaged \$3,322 (Friedlander and Burtless 1995: 109–10); in other words, they earned \$7.98 more each week than did those in the control group.<sup>58</sup> Notably, 25.4 percent of the experimental group never found employment, a difference of 7.1 percent from the statistics for the control group (Friedlander and Burtless 1995: 109–10). Program evaluators expected only modest future additions to average earnings. The program generated only a trivial amount of new employment and it did not extend the duration of employment nor decrease the likelihood of job loss.

Positive impacts did not emerge over time either. After 5 years, there was no statistically significant difference between average AFDC receipt for either group (about 31 percent of both groups received the benefits), no difference in average annual payments (both were given about \$2,200), no difference in average employment rate (both had rates of about 33 percent), and no difference in annual earnings

(both earned about \$4,000) (Friedlander and Burtless 1995: 88–9). This failure of the program to take hold for any length of time is referred to as program “decay.”

SWIM met its objective of increasing participation (rates were higher than other programs), but it did not succeed in increasing the likelihood of employment or reducing AFDC receipt. The total cost was \$2.5 million (see table 2).<sup>59</sup>

## Summary

A lack of basic education figured prominently in the program profile of the participants: 41.3 percent to 65.4 percent had less than 12 years of education. Programs designed to target single parents failed to achieve the goals set out by program administrators. Programs often had no effects and even when outcomes are statistically significant, the impact is not substantive enough to improve the welfare of recipients. Earnings were increased a maximum of \$19.96 per week and a minimum of \$2.18 per week; the largest increase in employment was only 13.6 percentage points and in one program there was no effect at all. In half the cases, these mandatory programs did not result in reductions in AFDC receipt and when they did, the reduction ranged from 1.1 to 5.2 percentage points. The largest reduction in AFDC payments was only \$12.71 per week and there was no effect in two programs. In summary, these programs have had virtually no effect on the prospects of most participants. The public expenditure ranged from \$1.4 million to \$87.3 million for the program, with a range of \$689 to \$4,895 per experimental group member.

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## California Greater Avenues to Independence (GAIN)

### Objective and Target Group

Like the program designed for AFDC-Family Group, the California GAIN program that targeted the AFDC-Unemployed Parent group had a goal of increasing self-sufficiency and producing government budget savings through reduced public assistance costs (see Riccio *et al.* 1994). Over the assignment period, 6,980 individuals were randomly assigned to the experimental group and 3,212 to the control group. (Again, Riverside county is treated as a special case in the analysis to follow.) Characteristics of participants varied considerably across counties. Those lacking high-school graduation or GED ranged from 51.1 percent to 82.9 percent and those determined to be in need of basic education ranged from 58.0 percent to 92.2 percent (Riccio *et al.* 1994: 19).

### Description

Experimentals were sorted into two service streams depending upon whether they required basic education or not. Those not in need of basic education were steered into job search. If this did not result in employment, they would undergo employability assessment for assignment to skills training, vocational post-secondary training, on-the-job training, or unpaid community work experience. Those in need of basic education would either enroll in ABE, GED, or ESL, or would immediately begin job search.

Generally speaking, participation rates were low. Over the evaluation period, 15.8 percent of those in the experimental group were in conciliation, sanction or slated for sanction, and 51.7 percent were deregistered (Riccio *et al.* 1994: 60). For the entire group, basic education was the most commonly assigned activity (35.5 percent participation), followed by job search (24.9 percent) and vocational or post-secondary education (14.2 percent). The activities assigned least often were CWEP (0.8 percent) and on-the-job training (0.2 percent).<sup>60</sup>

## Results

### Control group

The control group was not subject to AFDC grant sanction and was not eligible to receive GAIN case management or employment and training services. Other services in the community were available to them but they had to seek them independently. After two years, if they demanded and if space was available, they could enter GAIN. They continued to receive AFDC grants, Medicaid, and Food Stamps. The cost per member of the control group was \$871 (Riccio *et al.* 1994: 103–4).

Over the three-year evaluation period, 42.0 percent of those in the control group were never employed (Riccio *et al.* 1994: 204). Annualized average earnings were only \$3,015.<sup>61</sup> In the last quarter of the evaluation period, 57.7 percent of the control group received AFDC grants and, over

the three year period, an average of \$19,332 in AFDC benefits were paid out to each.

### **Experimental group**

To improve on these results an additional \$2,917 per participant was allocated to the GAIN program for AFDC-Unemployed Parents (Riccio *et al.* 1994: 103–4). Over the three-year evaluation period, there was no reduction in AFDC receipt and only modest favourable outcomes for average earnings, employment rates, and AFDC payments (see table 3).

In the last quarter of year 3, about 57 percent of both the experimental and the control group were receiving AFDC benefits (Riccio *et al.* 1994: 204). Over the three years, AFDC payments were only marginally lower as those in the experimental group continued to rely on welfare; they received \$18,164, a reduction of \$7.49 per week.<sup>62</sup> The program did not decrease the incidence of Food Stamps receipt—about 92 percent of both groups received the benefit—and resulted in only a minor decline in Food Stamps payments (Riccio *et al.* 1994: 228–9). Those in the experimental group received an average of \$4,395 in Food Stamp benefits while those in the control group received \$4,617, a difference of \$1.42 per week.<sup>63</sup>

Participants in the experimental group did not earn much more than those in the control group either: they had average annualized earnings of only \$3,385 over three years, or \$7.12 more per week.<sup>64</sup> Further, 35.6 percent of the experimental group never got jobs, a difference of 6.4 percentage points.<sup>65</sup>

Thus, the program generally failed to meet goals of increasing self-sufficiency or producing dramatic government budget savings. The total program expenditure was \$26.4 million (see table 5).<sup>66</sup>

## **Riverside Greater Avenues to Independence (GAIN)**

### **Objectives and Target Group**

The Riverside GAIN program (see Riccio *et al.* 1994) that targeted AFDC-Unemployed Parent recipients also had the goal of increasing employment. Over the assignment period, 1,666 participants were randomly assigned to the experimental group and 741 to the control group. The typical participant was in need of basic education, was non-white, aged 32, had two or more children, and was likely to be an AFDC recipient; 57.4 percent did not have high-school or GED accreditation and 66.6 percent needed basic education (Riccio *et al.* 1994: 19).

### **Description**

The two service streams for those in need of education and those not in need of education applied in this program as well. Like the Riverside GAIN program for AFDC-Family Group, this program had a focus upon employment and the use of enforcement procedures. The program also experimented with caseloads of different sizes for project managers. However, no statistically significant differences were recorded between “normal” and “enhanced” groups.

Over the course of the demonstration, 42.2 percent of the participants in the Riverside experimental group were in conciliation, sanction, or slated for sanction (compared to 15.8 percent in California) and 79.6 percent were deregistered (compared to 51.7 percent), although 66.0 percent recorded participation in some activity, including assessment and appraisal (Riccio *et al.* 1994: 41, 60). Of those who took part in an employment-related activity, job search was the

most common activity, with 42.2 percent participation; 32.0 percent participated in some educational or training activity (Ricchio *et al.* 1994: 308).

## Results

### Control group

The control group was not sanctioned and did not receive GAIN case management or employment and training services. They could seek other services in the community independently and also enter GAIN after two years if they requested it and if space was available. They remained eligible to receive AFDC grants, Medicaid, and Food Stamps. The cost per control group member was \$996 (Ricchio *et al.* 1994: 103).

Over three years, average annualized earnings were only \$3,345 and 38.3 percent of the control group were never employed.<sup>67</sup> There was high dependence on AFDC benefits, since 90.4 percent of the control group received AFDC grants at some point in the period, and 40.9 percent were receiving payments in the last quarter of year three. Members of the control group were given an average of \$14,411 in AFDC benefits over three years.

### Experimental group

The Riverside county GAIN demonstration spent a further \$2,150 per experimental to improve these outcomes (Ricchio *et al.* 1994: 103). The three-year evaluation results of the Riverside program showed it to be the most successful program for AFDC-Unemployed Parents. However, it did not decrease AFDC receipt and had only modest positive effects on average earnings, employment and average AFDC payments (see table 3).

Participants in the experimental group earned only \$9.65 per week more than those in the control group, with

average annualized earnings of \$3,847 over three years.<sup>68</sup> Over the evaluation period 30.9 percent of experimentals were never employed, a difference of 7.8 percentage points from the figures for the control group.<sup>69</sup> In year 3, 55.2 percent of the experimental group had no income at all, 23.3 percent had incomes above \$5,000, and only 14.3 percent had incomes above \$10,000. The control group had similar results (Ricchio *et al.* 1994: 209).

Members of the experimental group received AFDC benefits of \$12,346 over three years, a reduction of \$13.23 per week.<sup>70</sup> However, the program did not decrease the number of individuals on AFDC: 90 percent of both groups received benefits at some point in the three year period. In the last quarter of year 3, 42.6 percent of the experimental group were still receiving benefits (Ricchio *et al.* 1994: 202). The program reduced Food Stamps benefits by only \$2.29 a week<sup>71</sup>: 88.6 percent of the experimental group received \$3,338 in Food Stamps benefits while 91.0 percent of the control group<sup>72</sup> received \$3,695 in benefits.

Riverside failed in its objective of increasing employment rates substantially. Nonetheless, the total expenditure for the program—including the cost of administration, social workers and so on—was \$5.2 million (see table 5).<sup>73</sup>

## San Diego Saturation Work Initiative Model (SWIM)

### Objective and target group

The objective of SWIM for AFDC-Unemployed Parents was to have high levels of participation from participants who were receiving benefits—“caseload saturation.” Its empha-

sis was upon increasing employment and reducing receipt of AFDC rather than upon improving job quality (see Friedlander and Hamilton 1993). Beginning in 1985, 1,339 participants were randomly assigned to experimental and control groups. The typical participant was an AFDC applicant with either minimal or no earnings in the year before who had been on AFDC previously, had two or more children, and was non-white; 53.0 percent did not have a high-school diploma.

### **Description**

SWIM had a fixed sequence of activities. The first activity was a two-week job search. This was followed by three months of unpaid community work-experience and a bi-weekly job club. If both of these activities were unsuccessful, members of the experimental group would then participate in mandatory, moderately expensive educational and training services.

There was minimal scope for client choice in this program and financial penalties were applied. More than 10 percent of all participants in the SWIM experimental group were sanctioned.

SWIM had a target of 75 percent participation but, during a typical month not even half of the experimental group were active in searching for jobs, CWEP, education or training, or part-time employment. Excluding part-time work, participation rates averaged 33 percent. Of those who participated over the three year period, 59.5 percent began job search, 21.0 percent participated in community work-experience, and 33.5 percent enrolled in basic education, college, or vocational training (Friedlander and Hamilton 1993: 22).

### **Results**

Certain unique factors may have affected the results. California has relatively high state welfare grants and the 5-year follow-up evaluation did not adjust for participants' subsequent enrollment in other programs, such as GAIN. Also, "self-initiated participants" already meeting program criteria at initiation were not differentiated in the data. In addition, San Diego had a broad network of educational and training facilities and a sophisticated staff at the department of Social Services who had extensive program implementation experience.

### **Control group**

Neither SWIM case management nor employment and training services were available to the control group. They did not get sanctioned and were not required to participate in employment-related activities. They remained eligible for other community services, AFDC grants, Medicaid, and Food Stamps. Services for each control group member cost \$475 (Gueron and Pauly 1991: 256-7).

Outcomes for this group were discouraging. Over a 5-year follow-up, 90.2 percent of the control group received \$21,054 in benefits (Friedlander and Hamilton 1993: 46), 24.6 percent of the control group never found jobs, and average annualized earnings over 5 years were \$4,364.<sup>74</sup>

### **Experimental group**

SWIM spent a further \$817 per participant to better these results (Gueron and Pauly 1991: 256-7). The program did not diminish AFDC receipt and had a minimal favourable impact on average earnings, employment, and AFDC payments (see table 3).

The earnings gains averaged \$4.08 per week, with each participant earning \$4,576 annually over 5 years.<sup>75</sup> The earnings difference narrowed considerably by the end of the 5-year follow-up, and 20.7 percent never found employment at all—4.0 percentage points less than the control group. Employment peaked in year 2, then declined.<sup>76</sup> Average pay rates for those employed were similar to pay rates for those in the control group, demonstrating that SWIM did not lead to better jobs.

AFDC payments were reduced by \$7.54 per week but, over the period, those in the experimental group still collected \$19,093 in benefits.<sup>77</sup> Further, most of the reduction came from reduced payments rather than fewer months on social assistance. SWIM did not substantially reduce the number of individuals who were both jobless and receiving AFDC. At the end of the follow-up period, about two-fifths of AFDC-Unemployed Parents were still receiving AFDC benefits.

Notably, SWIM did not increase family income: welfare payments exceeded earnings gains by \$593 over the 5 years (Friedlander and Hamilton 1993: 62). The results for earnings, employment, and AFDC for the experimental group and the control group converge over time due to decay of effects upon the experimental group: treatment had initial effects that gradually wore off as individuals left their jobs to return to AFDC.

The program failed to meet its targets for participation, and the follow-up evaluation showed that SWIM had no effect on increasing employment and reducing receipt of AFDC in the long run. The total cost for government was \$0.9 million for the program (see table 5).<sup>78</sup>

## Ohio Fair Work (JOBS)

### Objective and Target Group

Ohio's Fair Work or JOBS program stressed investments in human capital via education and training with the expectation of long-term payoffs (see Fein *et al.* 1994). Between January 1989 and December 1991, over 24,000 participants were randomly assigned to experimental and control groups. There were three cohorts whose results were tracked separately based upon their year of acceptance into the program. To capture results in the longer term, the results of the 1989 cohort (composed of an experimental group of 7,860 and a control group of 1,314) are considered here. All able-bodied recipients who did not have child-care responsibilities were required to participate in this program. Thus, both single parents with older children and two-parent families took part in this demonstration. The typical participant was white, female, had two children, and had not been employed in the previous 6 months; 44.2 percent had less than 12 years of education and 44.1 percent had only 12 years of education (Fein *et al.* 1994: 29).

### Description

JOBS was mandatory for able-bodied recipients who did not have child-care responsibilities. Rather than adopting a program with a fixed sequence, a "choice model" provided case managers greater flexibility in managing assignments. CWEP figured as a prominent component of JOBS, as did employment and training programs. Those without a high-school diploma or equivalent were normally encouraged to enroll in basic education. In addition to determining employment-

related activities, assessors concentrated on identifying barriers to employment such as poor health, child-care responsibilities, unavailability of transportation, or substance abuse. In such cases, those in the experimental group could be excused from the participation requirement and, if necessary, referred to remedial services. To ease participants in the experimental group into self-sufficiency, the program also provided up to 12 months of transitional Medicaid and child care benefits.

A majority of the experimental group did not receive employment and training assignments because they left AFDC, obtained exemptions, or deferred starting. Although, only 40.5 percent were ever assigned to any employment-related activity, only 4.2 percent were ever sanctioned (Fein *et al.* 1994: 33, 37). Of those assigned, a high proportion took part in CWEP (47.3 percent), basic education (29.6 percent), or post-secondary education (19.0 percent). Job-club participation was 22.2 percent, with lower participation levels for job readiness training (11.6 percent) and job skills training (3.9 percent).

## Results

External factors may have affected results. At the time that participants were assigned to the program, Ohio's economy was not performing well. There were large backlogs of clients awaiting assessment and assignment, which likely altered participation rates. The official monthly participation rate was 19 percent, although the national average for programs of this type is 16 percent (Fein *et al.* 1994: 38–9). Therefore, problems related to design and implementation could have altered outcomes.

## Control group

The control group were not subject to AFDC grant sanction and remained eligible for AFDC benefits, Medicaid, and Food Stamps. They did not receive JOBS case management and evaluators assumed that they did not participate in employment and training programs. The cost per control group member was \$231.<sup>79</sup>

Over the three-year evaluation, 43.5 percent of those in the control group never found employment (Fein *et al.* 1994: 52). Average annualized earnings were \$2,517 (Fein *et al.* 1994: 52). In this period, controls received AFDC payments for 25 months evaluated and averaged \$7,303 in benefits (Fein *et al.* 1994: 59).

## Experimental group

JOBS spent an additional \$1,025 per participant to improve this performance.<sup>80</sup> The program did not positively affect earnings, AFDC receipt, or AFDC payments and only marginally increased employment rates (see table 6).

There were no statistically significant differences between average annual earnings for those in the experimental group and the earnings of those in the control group. Likewise the program did not curtail AFDC receipt, which was received for 23 months for both groups, or AFDC payments, which were about \$7,300 over the three-year period (Fein *et al.* 1994: 59).

There was a small difference in annual employment rates, but 39.2 percent of the experimental group never found employment during the three years (a difference of 4.3 percentage points).<sup>81</sup> Although employment increased marginally, members of the experimental group did not

work long enough to increase their earnings or reduce AFDC payments.

JOBES led to modest AFDC payment reductions for single parent families but AFDC payments increased for two parent families. The least favourable results were for clients assigned to CWEP and basic education and for those who had worked in the previous 6 months. The most favourable results were for clients assigned to job search, job readiness training, vocational and post-secondary programs, and those who held a high-school diploma.

Although evaluators suggest that a long-term evaluation would be necessary to capture more effects, it is notable that only 12.0 percent of the experimental group were assigned to basic education, only 7.7 percent to post-secondary, and only 1.6 percent to job skills training (Fein *et al.* 1994: 33). Longer-term evaluation, therefore, is not likely to produce more meaningful results. The total cost amounted to \$22.3 million (see table 5).<sup>82</sup>

## The Job Training Partnership Act, Title IIA

### Objective and target group

The program created by the Job Training Partnership Act (JTPA), Title IIA is the major training program for disadvantaged workers and it is distinctive in being a voluntary program (see Orr, Bloom, Bell, Doolittle, Lin, and Cave 1996). The goal of the National JTPA Study, which performed a rigorous experimental evaluation for 16 sites,<sup>83</sup> was to produce reliable data for the impact of the program upon average earnings, educational attainment, and welfare receipt. Random site selection was not possible since some states resisted adopting a program design that used both an experimental group and a control group. Many jurisdictions did not want to be criticized for denying their disadvantaged residents potentially worthwhile assistance.

To its credit, the study does represent a broad range of geographic locations, programs and participant backgrounds

**Table 6 Performance indicators: programs for disadvantaged adults**

Program	Sample size <sup>A</sup>	Percent with < 12 years of education	Earnings <sup>B</sup>	Employment <sup>C</sup>	AFDC receipt	AFDC payments <sup>B</sup>
California GAIN	7,039 (3,212)	51.1%–82.9% <sup>D</sup>	+\$7.12	+6.4	no effect	–\$7.49
Riverside GAIN	1,666 (741)	57.4%	+\$9.65	+7.8	no effect	–\$13.23
San Diego SWIM	686 (655)	53.0%	+\$4.08	+4.0	no effect	–\$7.54
Ohio JOBES	7,860 (1,314)	44.2%	no effect	+4.3	no effect	no effect

<sup>A</sup> experimental participants (control)

<sup>B</sup> per week; compared to control

<sup>C</sup> in percentage points

<sup>D</sup> across 6 counties



as well as a diverse cross-section of the American economy. However, program evaluators are careful to point out that it is not possible reliably to extrapolate the statistical findings to draw conclusions about the entire JTPA population.

To understand the context of the study it is helpful to consider the national program profile between November 1987 and December 1989, when the study results were gathered. Across the United States, each of the 642 service delivery areas (SDAs) had an average of 1,177 program participants (Orr *et al.* 1996: 54). The average budgeted cost per adult was \$2,241, with total JTPA Title IIA program costs of about \$1.7 billion annually.<sup>84</sup> The programs for the 16-site evaluation ranged from 354 annual participants to 1,793, with costs ranging from \$1,561 to \$3,637 per participant (Orr *et al.* 1996: 54).

JTPA Title IIA has differing designs to target adults, out-of-school youth, and in-school youth. At the time of this study, 30 percent of the experimental group were adult women, 25 percent were adult men, 23 percent were out-of-school youths, and 22 percent were in-school youths (the evaluation did not report on in-school youths) (Orr *et al.* 1996: 70). There was no typical participant although the law requires that 90 percent of JTPA Title IIA enrollment must be disadvantaged. In this context, a disadvantaged participant is one who has a family income below 125 percent of the poverty line during the 6 months prior to program entry, who lacks high-school completion, or who is receiving AFDC benefits.

## Description

JTPA is a voluntary program and administrators have an incentive to ensure maximum participation. Since the personal

preferences of a members of the experimental group would directly affect the likelihood of their participation, staff were constrained somewhat in their recommendation of service strategies. There are six service streams:

- classroom training in occupational skills such as word processing, electronics repair, and home health care;
- on-the-job training (OJT);
- job search assistance (JSA);
- basic education;
- work experience giving temporary entry-level jobs;
- miscellaneous services including assessment, job-readiness training, customized training, vocational exploration, “tryout employment” (where youths could earn permanent employment through good performance) or “job shadowing” (where youths accompany and observe an employee to learn what is required to hold a job).

Each SDA was responsible for deciding how to implement its service strategy. One route was through individual referrals to training providers such as public vocational-technical institutes or other public technical or community colleges. The second option was through contracts to purchase classes for occupational training.

Program assignment depended on an applicant’s wants, the assessor’s judgement of the suitability of the activity to the applicant, and the availability of the program. Sometimes program tracks were planned but often they evolved through trial and error. There were three service groupings used to analyze results:

- *classroom training* for those who needed basic or occupational training but not on-the-job training;

- *OJT and/or JSA* (not including occupational classroom training);
- *other services* for those who were not recommended to follow either of the first two service tracks.

Generally, adults were more likely to receive services that focused on immediate employment while youth were more likely to receive basic education and pre-employment services.

There was 65.1 percent enrollment, with median monthly participation levels by the experimental group of 3.5 months (Orr *et al.* 1996: 78, 85). Of those who participated, typical enrollment in classroom training was 77.1 percent with the median number of months enrolled 5.5 months, OJT or JSA enrolled 58.2 percent of cases for 2.4 months and other services enrolled 61.2 percent of cases for 3.1 months.

The program evaluation differed from previous programs since it was designed to consider impacts on earnings, receipt of high-school accreditation, AFDC payments, and Food Stamps payments.

### **Results: adult women**

The typical adult woman who participated was white, had not previously received occupational training and was most likely experiencing barriers to employment because she had worked less than 13 weeks in the previous year; 27.9 percent did not have high-school accreditation or GED (Orr *et al.* 1996: 72). Most members of this JTPA target group had been employed at some point and had recent average annual earnings of \$2,489.

### **Control group**

The control group remained eligible for AFDC grants, Medicaid, and Food Stamps. They did not receive JTPA case

management but they were provided with a list detailing a broad array of other education and training services in the community, in which they could participate on their own initiative. Several control group members did participate in other employment-related activities and costs were relatively high, at \$1,286 per control group member (Orr *et al.* 1996: 97).

Over the 30-month evaluation, those in the control group had average annualized earnings of \$4,896.<sup>85</sup> By the end of the evaluation period, 79.6 percent of those who did not have a high-school diploma or GED to begin with, still lacked such credentials (Orr *et al.* 1996: 111). Those in the control group received AFDC payments of \$2,049, and Food Stamps payments of \$1,558 (Orr *et al.* 1996: 112–13).

### **Experimental group**

The JTPA program spent an additional \$861 per participant to obtain better outcomes (Orr *et al.* 1996: 97). The experimental group showed small statistically significant increases in average earnings and receipt of high-school diploma or GED over the control group but no decrease in AFDC payments or decline in Food Stamps receipt (see table 4).

The program resulted in higher activity rates: 59.5 percent of the experimental group participated in employment-related activities compared to 33.1 percent of the control group (Orr *et al.* 1996: 97). Participants in the experimental group received an average of 359 hours of services compared to an average of 190 hours for those in the control group.

JTPA increased average earnings by \$9.05 per week.<sup>86</sup> Over 30 months, those in the experimental group had average annualized earnings of \$5,367.<sup>87</sup> OJT/JSA and

other services increased earnings but classroom training did not. In addition, by the end of the 30 month evaluation period, 68.0 percent of the experimental group who entered the program as dropouts still had not achieved high-school accreditation.<sup>88</sup>

There was no decrease in AFDC benefits—both groups received about \$2,000 (Orr *et al.* 1996: 112)—nor did receipt of Food Stamps benefits decline—both groups received about \$1,500 (Orr *et al.* 1996: 113).

When all sites were considered, earnings gains appeared consistently throughout the 30 month review, indicating minimal program decay.<sup>89</sup> However, on a site-by-site evaluation, earnings losses occurred at 5 out of the 16 sites. At the 11 sites recording gains, 80 percent of the positive outcome was due to more hours worked with only 20 percent of the gain resulting from higher hourly earnings (Orr *et al.* 1996: 109).

Thus, while the program increased the number of hours that the target group would participate in activities, employment-related activities alone did not ensure self-sufficiency or diminished dependence on welfare. The program cost \$8.8 million in total (see table 5).<sup>90</sup>

### **Results: adult men**

The typical adult man who participated was white, had not previously received occupational training, and was likely to be experiencing barriers to employment because he had worked less than 13 weeks in the previous 12 months; 30.7 percent had not graduated from high school or received a GED (Orr *et al.* 1996: 72). Most members of this target group had been employed in the past and had recent average annual earnings of \$4,057.

### **Control group**

The control group could receive AFDC grants, Medicaid, and Food Stamps. They did not receive JTPA case management or services but could choose to participate in a broad variety of other employment-related services offered in the community. Control group members did take advantage of these other programs and costs per control were \$902 each (Orr *et al.* 1996: 97).

Over the 30-month evaluation, average annualized earnings for those in the control group were \$7,398.91. By the end of the evaluation period, 83.7 percent of those who did not have a high-school diploma or GED to begin with, still lacked such credentials (Orr *et al.* 1996: 111). On average, members of the control group received \$158 in AFDC benefits and \$598 in Food Stamps (Orr *et al.* 1996: 112–13).

### **Experimental group**

It was hoped that by allocating an additional \$669 per participant these results could be improved upon (Orr *et al.* 1996: 97). The experimental group showed a small statistically significant improvement in earnings over the earnings of the control group, but there was no change in either the receipt of the high-school diploma or GED. Receipt of Food Stamps did not decrease and AFDC payments actually increased (see table 7).

In the experimental group, 49.6 percent of the men participated in a service compared to 23.4 percent in the control group. They received 267 hours of training while men in the control group received 131 hours (Orr *et al.* 1996: 97).

Participants in the experimental group earned \$7.52 more per week, with average annualized earnings of \$7,790 over the 30 months.<sup>92</sup> However, when earnings differentials

are considered according to the service track employed, no service track resulted in statistically significant earnings. Furthermore, JTPA actually increased AFDC payments by \$100, and those in the experimental group received \$258 in AFDC benefits over the evaluation period.<sup>93</sup>

The program did not increase the receipt of high-school accreditation: about 80 percent of high-school drop-outs from both groups still did not have a diploma or GED at the end of the 30 months (Orr *et al.* 1996: 111). Nor did it decrease the receipt of Food Stamps benefits, since individuals in both groups collected a total of about \$650 in benefits (Orr *et al.* 1996: 113).

Averaging all 16 evaluation sites resulted in statistically significant earnings gains. When considered on a site-by-site basis, however, 4 out of the 16 sites recorded earnings losses. For the other 12 sites, 60 percent of earnings gains were due to more hours worked and only 40 percent of the gain could be attributed to higher wages (Orr *et al.* 1996: 109).

Again, increased participation in employment-related activities was no guarantee for self-sufficiency or high incomes. The total cost of the program was \$5.3 million (see table 8).<sup>94</sup>

## Summary

A lack of basic education was a prominent characteristic of program participants: 27.9 percent to 82.9 percent of participants had less than 12 years of education. Programs for disadvantaged adults consistently failed to meet the objectives of their designers. When evaluated, the achievements of these programs were consistently poor: outcomes are often not statistically significant and, when they are significant, they are modest at best. The most that earnings increased was \$9.65 per week and did not increase at all in one program. The largest increase in employment was 7.8 percent-

**Table 7 Performance indicators: programs for disadvantaged adults**

Program	Sample size <sup>A</sup>	Percent with < 12 years of education	Earnings <sup>B</sup>	High-school graduation/GED receipt <sup>C</sup>	Food-stamps payments	AFDC payments <sup>B</sup>
JTPA: adult women	4,088 (2,014)	27.9%	+\$9.05	11.6	no effect <sup>D</sup>	no effect
JTPA - adult men	3,399 (1,703)	30.7%	+\$7.52	7.9	no effect	<b>+\$0.77</b>

<sup>A</sup> experimental participants (control)  
<sup>B</sup> per week; compared to control  
<sup>C</sup> in percentage points  
<sup>D</sup> not statistically significant.

age points and the lowest was 4.0 percentage points. The mandatory programs—GAIN, SWIM, and Ohio JOBS—all failed to reduce the incidence of AFDC receipt and the most that AFDC payments fell was \$13.23; they did not decline at all in one program. The voluntary JTPA program did not reduce either receipt of Food Stamps or AFDC payments. JTPA increased high-school graduation or GED receipt by only 7.9 to 11.6 percentage points.

Regardless of the approach taken, government-sponsored training programs cannot accomplish the goals set out for them. Training clearly does not lift individuals out of poverty nor does it render them substantially better off than they would have been if they had never participated in the program. The public costs per experimental participant, however, ranged from \$1,256 to \$3,789, with program costs ranging from \$0.9 million to \$27.7 million (table 2).

**Table 8 Costs: programs for disadvantaged adults**

Program	Sample Size (A) <sup>A</sup>	Total cost of program (B) <sup>B</sup>	Total cost per experimental (B) / (A) = (C) <sup>C</sup>	Total cost per control (D) <sup>D</sup>	Net cost per experimental (C) - (D) = (E) <sup>E</sup>	Net cost of program (E) × (A) = (F) <sup>F</sup>
California GAIN	7,039 (3,212 )	\$27.7	\$3,789	\$871	\$2,917	\$20.5
Riverside GAIN	1,666 (741)	\$5.2	\$3,146	\$996	\$2,150	\$3.6
San Diego SWIM	686 (655)	\$0.9	\$1,292	\$475	\$817	\$0.6
Ohio JOBS	7,860 (1,314)	\$22.3	\$1,256	\$231	\$1,025	\$8.1
JTPA: adult women	4,088 (2,014)	\$8.8	\$2,147	\$1,286	\$861	\$3.5
JTPA: adult men	3,399 (1,703)	\$5.3	\$1,571	\$902	\$669	\$2.3

<sup>A</sup> experimental participants (control)

<sup>B</sup> \$ millions; total cost of program is the total cost per experimental × the number of experimental participants

<sup>C</sup> total cost per experimental includes administration, case management, employment and training services, child care, etc.

<sup>D</sup> total cost per control includes administration and other services available in the community

<sup>E</sup> net cost per experimental is the difference between total costs for an experimental and a control group member

<sup>F</sup> \$ millions; net cost of program is the net cost per experimental × the number of experimental participants

# Programs for out-of-school youth

44

## The Job Training Partnership Act, Title IIA

Fraser

### Objective and target group

Institute

Critical

Issues

Bulletin

The goal of the National Job Training Partnership Act (JTPA), Title IIA Study was to demonstrate the impact of JTPA upon average earnings, educational attainment, and receipt of AFDC and Food Stamps among youths (see Orr *et al.* 1996). Selection of 16 sites was determined by a jurisdiction's willingness to participate but the study represents a broad range of geographic locations, programs, and participants as well as a diverse cross-section of the American economy. Program evaluators are careful to point out, however, that it is not possible to conclude reliably that the statistical findings are representative of the entire JTPA population.

JTPA, Title IIA emphasizes different service streams in targeting out-of-school youth. There was no typical participant although 90 percent of enrollment had to be disadvantaged. Disadvantaged participants were those who had a family income below 125 percent of the poverty line during the 6 months prior to program entry, lacked high-school completion, or were receiving AFDC benefits.

### Description

JTPA is a voluntary program but the administrators attempt to maximize participation. Staff members try to assign activities that match the personal preferences of a participant in order to increase the likelihood of their participation. The six service streams are optional: occupational-skills training in the class-

room, on-the-job training (OJT), job search assistance (JSA), basic education, work experience and miscellaneous services. Three service groupings were used to analyze results:

- classroom training
- OJT and JSA
- other services.

Generally, youth were most likely to receive basic education or pre-employment services, including tryout employment and job shadowing. Overall, there was 65.1 percent enrollment, with median monthly participation levels of 3.5 months among youths in the experimental group (Orr *et al.* 1996: 78, 85).

### Results: female youth

The typical female youth was white, unlikely to have received previous occupational training, and had only 13 weeks of work in the previous year; 48.4 percent did not have high-school or GED completion (Orr *et al.* 1996: 72). Most had been employed at some point in the past with recent annual earnings of \$1,373.

### Control group

The control group was not eligible for JTPA case management or employment-related services but they could voluntarily participate in a wide variety of other community employment services. They continued to receive AFDC grants, Medicaid and Food Stamps. Program costs per individual averaged \$1,824 (Orr *et al.* 1996: 117).

Over the 30-month evaluation, those in the control group had average annualized earnings of \$4,042.<sup>95</sup> After the evaluation period, 68.3 percent of those who were high-school dropouts at the start of the program still had not attained high-school completion or GED (Orr et al. 1996: 127). On average, youths in the control group received \$1,734 in AFDC benefits and \$1,490 in Food Stamps (Orr et al. 1996: 129–30).

**Experimental group**

To obtain better results, JTPA spent a further \$893 per participant (Orr et al. 1996: 117). The experimental group showed small statistically significant increases over the control group in achievement of high-school diploma or GED but there was no increase in earnings, no decrease in AFDC payments, or decline in Food Stamps receipt (see table 9).

The program resulted in higher activity rates: 66.1 percent of youth in the experimental group participated in employment-related activities while 44.3 percent of those in the control group did so. Those in the experimental group received an average of 438 hours of services compared to the 256 hours received by those in the control group (Orr et

al. 1996: 117). JTPA failed, however, to increase average earnings: both groups had average annualized earnings of about \$4,100 over 30 months.<sup>96</sup> And, this was true no matter which service track strategy was employed. By the end of the 30-month evaluation period, 60.6 percent of the participants had not yet achieved high-school graduation or GED.<sup>97</sup>

There was no decrease in AFDC benefits: members of both groups received about \$1,700 each (Orr et al. 1996: 129). Food Stamps benefits did not decline either, with members of both groups receiving about \$1,400 apiece over the 30-month period (Orr et al. 1996: 130).

Increasing the number of hours in employment-related activities did not produce self-sufficiency or decreased dependence upon welfare. JTPA spent a total of \$4.9 million, with disappointing results (see table 10)<sup>98</sup>

**Results: male youth**

The typical male youth was white and had not received previous occupational training; 57.2 percent did not have high-school or GED accreditation (Orr et al. 1996: 72). Most had worked at some point in the past but had recent annual earnings of only \$2,228.

**Table 9 Performance indicators: programs for disadvantaged out-of-school youth**

Program	Sample Size <sup>A</sup>	Percent with <12 years of education	Earnings	High-school graduation/GED receipt <sup>B</sup>	Food-stamps payments	AFDC payments
JTPA: female youth	1,807 (850)	48.4%	no effect	+7.7	no effect	no effect
JTPA: male youth	1,121 (583)	57.2%	no effect	no effect	no effect	no effect

<sup>A</sup> experimental participants (control)

<sup>B</sup> in percentage points

**Control group**

The control group did not receive JTPA case management or employment services but could receive a variety of other employment-related services available in the community. They continued to receive AFDC grants, Medicaid and Food Stamps. The cost for each control was \$1,496 (Orr *et al.* 1996: 117).

Over the evaluation period, male youth in the control group earned \$6,567 annually.<sup>99</sup> After 30 months, 63.7 percent those who entered the program as high-school drop-outs had still not achieved high-school completion or GED (Orr *et al.* 1996: 127); each received both AFDC benefits of \$150 per month and Food Stamps worth \$378 per month (Orr *et al.* 1996: 129–30).

**Experimental group**

JTPA spent another \$1,401 on each youth in the experimental group (Orr *et al.* 1996: 117). There was no increase in annual earnings or receipt of the high-school diploma or GED and no decrease in either AFDC or Food Stamps payments (see table 9).

The program resulted in higher activity rates: 62.7 percent of male youths in the experimental group participated in a service while 34.6 percent of those in the control group did so. They received 406 hours of training while those in the control group received 231 hours (Orr *et al.* 1996: 117). Male youths had the highest percentage enrollment of all subgroups: 69.5 percent of the experimental group received about 3.2 months in program services.

**Table 10 Costs: programs for disadvantaged, out-of school youth**

Program	Sample Size (A) <sup>A</sup>	Total cost of program (B) <sup>B</sup>	Total cost per experimental (B) / (A) = (C) <sup>C</sup>	Total cost per control (D) <sup>D</sup>	Net cost per experimental (C) - (D) = (E) <sup>E</sup>	Net cost of program (E) × (A) = (F) <sup>F</sup>
JTPA - female youth	1,807 (850)	\$4.9	\$2,717	\$1,824	\$893	\$1.6
JTPA - male youth	1,121 (583)	\$3.2	\$2,896	\$1,496	\$1,401	\$1.6

<sup>A</sup> experimental participants (control)

<sup>B</sup> \$ millions; total cost of program is the total cost per experimental × the number of experimental participants

<sup>C</sup> total cost per experimental includes administration, case management, employment and training services, child care, etc.

<sup>D</sup> total cost per control includes administration and other services available in the community

<sup>E</sup> net cost per experimental is the difference between total costs for an experimental and a control group member

<sup>F</sup> \$ millions; net cost of program is the net cost per experimental × the number of experimental participants



Youths in the experimental group did not earn more over the study period; both groups had average annual earnings of about \$6,600.<sup>100</sup> Nor did achievement of high-school graduation or GED increase for those who entered the program as high-school dropouts; AFDC benefits were unchanged at about \$150 and Food-Stamps payments remained at about \$400 per youth in the experimental group (Orr *et al.* 1996: 129–30).

Despite a large expenditure for enhanced services and increased activity levels, this program delivered no positive outcomes. Nevertheless, a total of \$2.3 million was spent (see table 10).<sup>101</sup>

## Job Corps

### Objective and target group

Job Corps was established in 1964 to address the barriers to employment facing severely disadvantaged youth (see Government Accounting Office (GAO), HEHS 1995). It remains in operation and was evaluated in 1993 to determine its effectiveness. The evaluation did not employ an experimental design, assigning individuals randomly to an experimental or control group. Rather, the study was commissioned to discover if youths were completing vocational training and finding jobs through Job Corps. Participants were typically aged 16 to 24, economically and educationally disadvantaged, and living in a disruptive home environment. Disadvantaged youth face barriers to employment such as the lack of a high-school diploma and of basic skills, dependence upon public assistance, and limited proficiency in English. A large num-

ber of participants—68 percent—face two or more of these employment barriers (GAO/HEHS 1995: 2).

### Description

The program employed a comprehensive array of services supplied primarily in a residential setting. Job Corps provided funds directly to public, private, and nonprofit organizations to operate local centres. In 1993, there were 111 centres located throughout the United States and supplying services to 63,000 youths.<sup>102</sup> Private corporations and nonprofit organizations, often selected through a competitive procurement process, operated 81 centres. The departments of Agriculture and of the Interior operated 30 centres (“civilian conservation centres”) directly. Although other federal training programs such as the JTPA have been delegated to state governments, Job Corps remains a federally operated program.

Job Corps provides basic education, vocational skills training (in business occupations, automotive repair, construction trades and health occupations), social skills instruction, counseling for personal problems as well as for alcohol and drug abuse, health care, room and board, and recreational activities. Social skills training is a unique program that offers instruction in 50 areas including guidance on teamwork, asking questions, dealing with anger, handling embarrassment, and arriving on time for appointments.

Programs are taught by centre staff, private contractors, or instructors under contract with national labour and business organizations. Training programs were voluntary, open-ended, and self-paced. Students typically remained in the program an average of 8 months but some were enrolled for as long as two years.

Allowance and incentive payments are utilized to encourage performance. Students receive a base allowance of \$50 per month, increased to \$80 per month after 6 months (GAO/HEHS 1995: 7). Bimonthly performance evaluations with exceptional ratings allowed students to earn bonuses ranging from \$25 to \$80. Graduating from high school, receiving GED, completing vocational training, or getting a job earned a \$250 bonus for each achievement. Student finding a job that was related to their vocational training received an additional \$100.

Despite this elaborate incentive structure, 64 percent of students left the program without completing even the vocational training (GAO/HEHS 1995: 10–11).

## Results

Nationally, 59 percent of the 63,000 youths who left the program in 1993 found jobs but only about 14 percent found jobs related to the training they had received (GAO/HEHS 1995: 10). Of those who completed training (“completers”), 11.4 percent found employment related to their training, while only 2.8 percent of those who did not complete training (“non-completers”) did so (GAO/HEHS 1995: 12–13). Average wages for training-related jobs were \$6.60 per hour compared to \$5.28 per hour for other jobs (GAO/HEHS 1995: 13). Most work obtained by non-completers were in low-skilled positions: fast-food workers, cashiers, labourers or janitors. A survey of 6 centres found that half of the jobs obtained by those who had gone through the program were low-skilled and unrelated to the training provided. Only 37 percent of completers found training-related employment, while 7 percent of non-completers did so (GAO/HEHS 1995: 12).

Students who obtained jobs upon leaving Job Corps tended not to remain with their first employers very long—

about one-half of students worked for two months or less. Students were no longer employed because they quit (45 percent), were fired (22 percent), or were laid off (13 percent) (GAO/HEHS 1995: 16).

In 1993, about three-quarters of the program’s \$933 million budget was spent on staff salaries, equipment, maintenance, and utilities (GAO/HEHS 1995: 3). The remaining quarter was spent on student allowances and payments; contracts for outreach, screening, and placement services, contracts with national training providers, facilities construction, rehabilitation, and acquisition. The cost per participant<sup>103</sup> was \$15,300 (GAO/HEHS 1995: 7). Costs per completer were \$26,219 and per non-completer, \$7,803. By comparison, a similar program for this target group (aged 16 to 22) in JTPA costs \$3,700.

Apart from lacklustre performance by the participants and relatively high associated costs, several other concerns call into question the value of this program.

- (1) Certain administrative practices caused evaluators to question the validity of Job Corps placements (GAO/HEHS 1995: 16–17). About 10 percent of placements appeared to be invalid: either employers had no record of hiring the students, students never showed up for work, or students were placed with an employment agency or JTPA training program instead of work. An additional 10 percent of companies could not even be located.
- (2) National contractors receive about one-third of Job Corps training expenditures without full and open competition. However, it is questionable whether students benefit from the vocational training provided by them (GAO/HEHS 1995: 17–19). Only three percent of job

placements come through national contractors whereas the largest number—48 percent—are through the student's own initiative, family or friends. In data from the 6 centres, national contractors accounted for only one percent of placements. Furthermore, they continue to provide training primarily in a declining occupational category—construction trades—which represents only 4 percent of the job market.

- (3) Most centres spend up to 50 percent on students who do not complete vocational training. In the survey of the 6 centres, about 40 percent of funds, \$19 million, were spent on non-completers (GAO/HEHS 1995: 14).

Job Corps is the most expensive federal youth employment and training program, with current appropriations of \$1 billion. Despite these serious problems and poor outcomes, the administration plans to expand the program from 111 centres to 161 and increase student capacity by 50 percent.

## Summary

Low levels of education and skills are common among participants, with 48.4 percent or more having failed to graduate from high school. Programs designed for disadvantaged youth also fail to achieve their goals. JTPA registered no positive outcome for earnings, no reduction in Food Stamps or AFDC payments, and no educational achievement for male youths. The only positive outcome was a 7.7 percent increase in high-school graduation or GED receipt by female youth who had dropped out of school and were entering the program for the first time. These programs have virtually no positive effect on the economic prospects of participants. Although Job Corps was not evaluated with performance measures, it is notable that 64 percent of students left the program without completing even the mandatory vocational training. The public costs ranged from US\$2,717 to US\$15,300 per participant or US\$2.3 million to US\$993 million for the programs.

## Failure and its causes

50

Fraser

Institute

Critical

Issues

Bulletin

This evidence from the United States has shown that government-sponsored training programs have been a failure. Why is this so?

There is a fundamental dilemma in trying both to reduce poverty and to encourage self-sufficiency. If benefits are high, it is less likely that recipients will want to work at low-paying jobs. Further, the more that the recipients work and earn, the less assistance they will receive, which likewise discourages employment. There is an inescapable trade-off and the debate about social policy has two sides: one side argues that welfare-to-work initiatives should be focused upon reducing poverty and the other, that they should be focused upon reducing dependence (Gueron 1990: 79–98).

Proponents who seek to reduce poverty accept that work is better than welfare but argue that welfare recipients want to work but lack the relevant education and skills to get jobs that will ensure self-sufficiency. The programs detailed in the section above are based upon this first approach. The evidence, however, shows that massive investments in intensive education and training do not yield self-sufficiency or good incomes.

Proponents who seek to reduce dependence argue that welfare recipients are unwilling to work, discouraged, or have unrealistic expectations about their job prospects. As such, they demand programs that set clear expectations for welfare recipients, provide low-cost job search only, and require mandatory participation in job search or employ-

ment. For the unemployable, long-term welfare recipients, and those who are otherwise unable to find work, proponents of reduced dependence advocate “workfare,” not as a program providing skills for an eventual transition into the workforce (although this may occur inadvertently) but as a means by which grant recipients can return something to the community in exchange for the support they receive. Recent research suggests that private-sector welfare-to-work programs (e.g., *America Works*; see Nye 1996) are more successful at finding work for long-time welfare recipients at substantially lower costs than government-sponsored training programs. Although outside the scope of the present study, workfare programs and private-sector training programs certainly warrant further research.<sup>104</sup>

The long-term solution to reducing dependence addresses the central reason why government-sponsored training programs do not work. Programs taking a human capital focus fail because there is little—if anything—that can be done to compensate for neglecting the first 12 years of schooling. It is difficult to improve the employment opportunities of those with low levels of basic education and skills. While workfare may be the solution in the short run for those already on social services, the long-term solution is to ensure that students acquire the appropriate level of skills and education early in life.

Before examining this issue, however, it is necessary to determine whether part of the problem lies with inadequate investment by the private sector.

## Question Two

# Is the private sector spending too little money on training?

### Evidence on employer training

It is widely believed that private-sector firms are underinvesting in training and this belief has motivated legislators to embark on an agenda of program development designed to fill the perceived void. In the United States, this has another dimension as the federal government intends to provide tax credits and other incentives for job placement firms and for businesses that hire individuals who are on welfare (Clinton 1997).

While a lack of empirical data prevents any formal evaluation, it is reasonable to assume that the benefits of training outweigh the costs to firms. American data suggest that private-sector training produces positive returns, particularly in productivity and wage growth (Bishop 1994: 161–99).

There is little reason to believe that Canadian firms are underinvesting. Several studies indicate that the majority of employees receive some training, whether formal or informal.<sup>105</sup> It must also be remembered that workers learn new skills, gather new information, and employ problem-

solving strategies virtually every day through the course of day-to-day work activities and that this training is seldom quantified in studies. As for formal training, early studies found that between one-quarter and one-third of Canadian firms provide training.

More recent studies suggest that the incidence of training is higher. A comprehensive 1991 survey, the Adult Education and Training Survey (AETS), found that 30 percent of employees take part in formal training.<sup>106</sup> When on-the-job training is considered, the incidence of training increases to 36 percent (Statistics Canada 1992).

According to a recent survey of firms with less than 500 workers and less than \$100 million in assets, estimates of formal employer training are much higher than this (Baldwin and Johnson 1995: 8). According to this study, 59 percent of the Canadian firms engaged in training and 44 percent offered formal training. In all, 31 percent of the employees surveyed received formal training. Due to methodological inconsistencies, it is impossible to compare this performance to other nations with any degree of accuracy. It appears that

both employers and employees, however, benefit from Canada's extensively subsidized education system. While figures from the Organisation for Economic Co-operation and Development (OECD) show that some nations have a higher incidence of employer training, Canada has the highest incidence of post-secondary enrollment (76 percent).<sup>107</sup> Subsidies encourage enrollment; an additional 18 percent of employees took formal courses on their own initiative without employer support. Thus, in all, 44 percent of employees received some formal or on-the-job training. Furthermore, employees do not perceive that they suffer from a serious training accessibility problem. In fact, 62 percent of employees felt training provided by their employers was adequate.

Several results consistently emerge in these studies. Formal training is primarily undertaken by large firms: the larger the firm, the greater the investment in training. The level of training provided varies with the perceived need for training. The typical recipient of formal training has post-secondary education, is employed full-time in either professional or technical occupations, and has a relatively high income.

Conversely, those who are less educated, older, or receiving lower earnings are perceived to possess insufficient literacy and numeracy skills to benefit from intensive training. A younger employee with more education, therefore, is considered more easily trainable and promotable. As employees are promoted, their earnings increase and they require more training to perform effectively in the higher position. Individuals with low education do not have the same opportunities for advancement and hence do not typically receive the higher earnings and additional training that are associated with mobility.

Given the weight of this evidence, it seems reasonable to conclude that, if there is a crisis of undertraining, it is primarily—if not solely—the undertraining of those who have low skill levels and low educational attainment. Since it has already been demonstrated that government-sponsored training programs fail to improve the education and skills of disadvantaged workers, the problem and the solution must lie with the public school system.

## Question Three

# Is the public education system turning out workers who are not ready for the workforce?

### Evidence from Canadian public schools

The majority of disadvantaged workers suffer from low educational attainment and skills. The public policy challenge is to ensure that public education is adequately preparing students for the marketplace. High-school graduation appears to offer the best hope for the student's success in the marketplace. The public school system in Canada, however, has not been responsive to the needs of students because it has a monopoly.

### Dropout rates for Canadian students

Despite our sizeable investment in public schools, an alarming number of students drop out before graduating from high school. Generally, the percentage of students failing to graduate has been consistently higher than 20 percent (Statistics Canada 1995). A case study of the 1988/89 academic year reveals that the national dropout rate was 34 percent, substantially higher than the rate in the United States, Germany, and Japan (Lafleur 1992: 8). This figure represents

137,000 Canadian youths who left school prematurely, with considerable associated costs. Over the course of their working years, this will result in a total loss of \$8.1 billion in gross income (Lafleur 1992: 9). Not only will lost earnings have a sizeable impact upon individual welfare but also tax revenue will be lost to the government. High dropout rates are clearly unsustainable and will certainly impair Canada's future economic performance.

### Literacy in Canada

The capacity of firms and labour markets to adjust to change, to innovate, and to improve productivity depends upon the knowledge and skills of the population. The technological upheaval in industrialized societies has changed skill requirements resulting in a more sophisticated analysis of literacy,<sup>108</sup> and it appears that Canadian literacy is not sufficiently developed to meet the challenges of globalization (see Montigny, Kelly, and Jones 1991). This is demonstrated by the results from the 1994 International Adult Literacy Survey (IALS; see OECD 1995a).

The IALS employs a sophisticated methodology for determining the skill levels of a population, testing the information-processing skills between the reading material and the tasks to be performed based on those materials. Results are reported on a 5-level scale of proficiency. A three-category approach is used to evaluate survey respondents on prose skills (reading comprehension), document skills (understanding graphs, charts, maps, forms, and tabular data), and quantitative skills (proficiency in arithmetic operations).

The IALS does not establish at which level a respondent can be considered illiterate. However, since the levels reflect empirically determined information-processing skills, it is possible to make reasonable assumptions. The least demanding level of skill attainment is Level 1 (out of 5). At this level, only very simple operations must be performed and respondents have considerable difficulty performing more challenging tasks. The results show that Canada and the United States have very similar distribution patterns: 16.6 percent of Canadian respondents have the Level 1 prose skills compared to 20.7 percent of American respondents; 18.2 percent of Canadian respondents had Level 1 document skills compared to 23.7 percent of American respondents; and 16.9 percent of Canadian respondents had Level 1 quantitative skills compared to 21.0 percent of American respondents (OECD 1995a: 57).

For the purposes of our study, a person having only Level 1 literacy will be considered functionally illiterate.<sup>109</sup> If literacy did not have any consequences, this distinction would not be necessary. However, there are broad economic consequences associated with low levels of literacy. Consider some statistics for Canada.

- (1) Literacy and employment are strongly linked. Those with low literacy levels are more likely to be unemployed or outside the workforce. In the IALS, 9.3 percent of those at Level 1 reported being unemployed compared to only 2.6 percent of those at the highest literacy level.<sup>110</sup>
- (2) Since literacy is connected with employment, it is likewise tied to income. Of those with Level 1 literacy, 51.7 percent had no income at all, and 63.8 percent of those with Level 1 literacy had either no income and low income,<sup>111</sup> compared to those at the highest level of literacy, of whom only 29.1 percent reported either no income or low income (OECD1995a: 62).
- (3) The IALS also suggests that training tends to be concentrated on individuals with higher skill levels. Only 19.3 percent of those with Level 1 literacy received any adult education in 1993, compared with 65.1 percent of those with the highest literacy level (OECD1995a: 69).

Literacy, therefore, is a recognized and rewarded skill. However, 23.3 percent of the students who drop out of high school are functionally illiterate. What is more shocking is that, in Canada, 10.5 percent of those who graduate from high school, 4.2 percent of those who graduate from college, and 3.3 percent of university graduates are also at Level 1 literacy (OECD1995a: 73). There is something terribly inadequate with an education system that simply pushes students through without proper instruction or achievement. The present education system is failing.



## Increasing expenditures and dismal outcomes

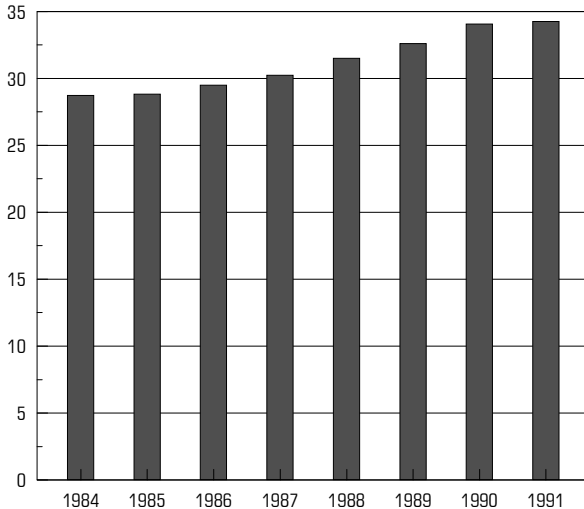
It is estimated that between 1990 and 2000, 64.5 percent of all new jobs created will require a minimum of 12 years of schooling. In 1986, only 53.5 percent of new jobs had such requirements (OECD1995a: 1–2). The solution is to revitalize the education system by demanding a high level of personal initiative. Youth must understand that there is little future in the job market for those who lack the appropriate level of skills or education.

Some critics suggest simply that more money should be allocated to education. In fact, Canadians have been pour-

ing ever increasing amounts of tax money into education, in absolute and per-student terms (see figures 1 and 2). After adjusting for inflation, between 1984 and 1991 funding increased 19.2 percent from \$28.7 billion to \$34.3 billion.<sup>112</sup> Per-student expenditures had increased from \$6,438 in 1987 to \$6,969 by 1991.<sup>113</sup> However, this increase in funding is not reflected strongly in student to educator ratios: there were 18.18 students per educator in 1987, a figure that decreased only marginally to 17.30 students per educator in 1991 (see figure 3).<sup>114</sup> Part of the problem is that increased funding is directed less to students and more to administrators and salaries. Canada's school crisis is not one of insufficient per-pupil expenditures. Rather, the crisis is due to the

**Figure 1 Total expenditure for public schools**

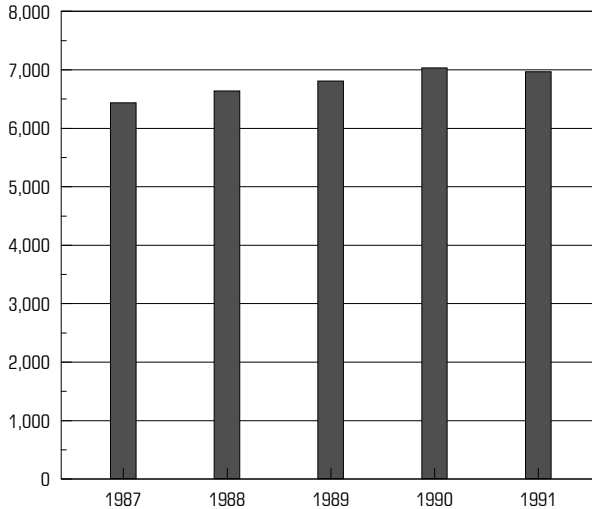
billion dollars (1996)



Statistics Canada, CANSIM Label No. S100000, 1994.

**Figure 2 Expenditure per student**

dollars (1996)

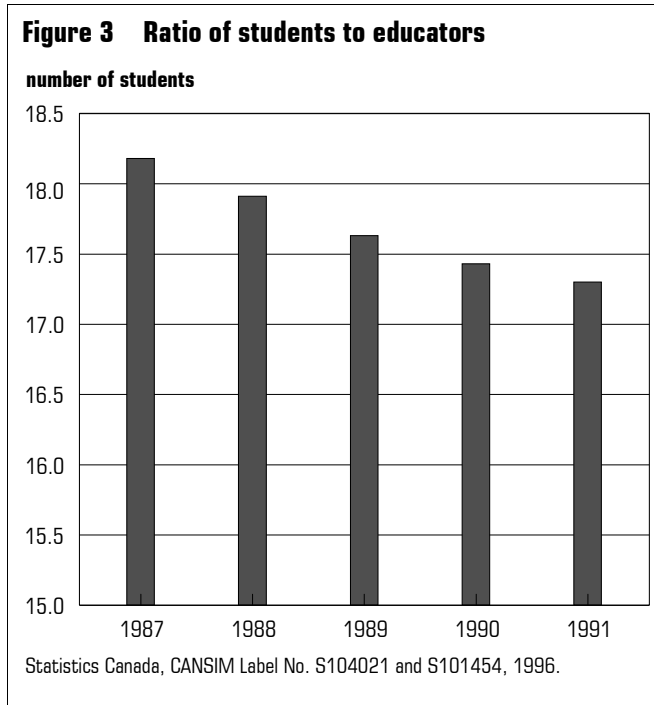


Statistics Canada, CANSIM Label No. S100000, 1994 and S101454, 1996.

structure of the public school system, which is organized on a bureaucratic and monopolistic model. Monopoly teachers' unions benefit teachers, not students, and funding is lost as it attempts to reach students through layers of administration. Moreover, not all the education and skills training provided is useful to students.

Literacy "is a relative concept that can be given meaning only in relation to the demands of the economy and society" (Statistics Canada 1996b: 24). Proficiency in reading, writing, comprehension, logical thinking, math, and science is the foundation that will enable students to continue to ac-

quire knowledge about rapidly developing technologies. The public schools, however, are failing to provide this foundation. Further, to garner international advantages, labour must also have skills that are scarce relative to the world supply; training in obsolete skills and occupations, therefore, will make very small, if any, contribution to growth. Educational investments should be based on market requirements and aimed towards the leading edge of technological development. But in order to innovate, schools need to be able to adapt quickly, something bureaucratic operations are not able to do.



### A possible solution: vouchers and charter schools

Schools must be given the freedom to innovate. A voucher system that allocates funds directly to students will encourage the proliferation of charter schools with boards composed of teachers and parents that will set the curriculum in a way responsive to market requirements (see Raham 1996). In his State of the Union address, President Bill Clinton called for the creation of 3000 more charter schools by the year 2000 to "give parents the power to choose the right public school for their children" (Clinton 1997). The preliminary research findings from the United States appears to indicate that parents, students, and teachers are satisfied with the performance of charter schools. Moreover, charter schools appear to have produced significant efficiency gains (see Finn, Manno, and Bierlein 1996; California, Little Hoover Commission 1996).

A recent American study compared the public costs of education with private-school tuition, with surprising re-

sults (Boaz and Barrett 1996). In the 1994/95 school year, the national average for school costs per pupil in the public school system were (US)\$6,857. The average cost of tuition per pupil in private schools, by contrast, was only (US)\$3,116, less than half the public school costs.<sup>115</sup> While there were deviations among cities, the authors found that 67 percent of all private elementary and secondary schools surveyed charge (US)\$2,500 or less for tuition. The authors conclude that a voucher system that provides (US)\$3,000 per student, per year would trigger a revolution in education as schools are forced to compete, innovate, and grow.

There is considerable value in offering different schools for children with differing requirements and both students and parents would be the beneficiaries of open competition. In a market structure, teachers and principals will be rewarded with more students and higher incomes for success in educating students and will suffer the reverse if they fail to produce successful students. With a voucher system, parents could choose from a variety of schools, both public and private. A complementary program would allow individuals to establish tax-free Educational Savings Accounts (ESAs), in which unspent subsidies and other personal contributions could be accumulated to pay for post-secondary education or for career changes and retraining in the future (Hood 1996). Such instruments would give more choice to individuals in choosing how to educate their children. The increased demand on parents to take a more active role in the education of their children would also facilitate the creation of a culture of lifelong learning.

In one very important respect, the market for education would be identical to the market for any other good: educational entrepreneurs would have to satisfy customers in

order to survive. There is a need for more market mechanisms in education, that will result in greater choice, lower costs, and better results.

## Conclusion

In the final analysis, the evidence suggests that intervening in the later stages—i.e., after the child has dropped out of school—is not a successful strategy. A child who cannot read and write, add and subtract, or think logically and creatively will not be able to compete in the twenty-first century. Similarly, if an desire to continue learning is not instilled at a young age, early proficiency will erode over time since some skills deteriorate if not used in post-schooling years, On the other hand, for those with the proper background and motivation, some skills can be acquired informally, independently of structured training. Creating a culture of lifelong learning is not easy, but ensuring that students have a proper educational foundation is pivotal to developing an able workforce. Therefore, the place to begin is by changing the incentives facing the public school system and demanding better performance.

Despite billions of tax dollars in funding, the current education system is floundering. Public school spending, while sizeable, is not targeted effectively and, as a result, often fails to prepare youth to benefit from training later on. The key is to take decision-making out of the arbitrary hands of government administrators and place it back into the hands of individuals. Doing so will ensure that institutions remain responsive to the needs of parents and students and the requirements of a global economy.

## 58 **Appendix One Methodology used by researchers**

The experimental design employed an experimental group and a demographically similar control group that did not receive the program (services) being provided to the experimental group. Program administrators randomly assigned participants to either the experimental or the control group. Some members of the control groups received employment and training from other non-program service providers in the community and, in addition, often remained eligible for subsidized child-care and tuition assistance for training or community-college classes. Impacts thus represent only incremental, not absolute, effects, since they show the change produced by the incremental services provided through the program.

Costs for both the experimental and the control groups are understated. The reported costs represent only administrative costs and those related to the provision of employment-related services. Members of both the experimental group and the control group retained entitlement to AFDC benefits, Food Stamps, and Medicaid. The funding to support these programs is not included in cost assessments but a decrease in each program expenditure is considered a favourable program impact. The summary tables at the end of each section evaluate the total public cost per experimental participant, using all available data.

Funding for programs is typically derived from federal or state WIN/JOBS allocations, special state monies, and spe-

cial federal demonstration funds sponsored by the United States Department of Health and Human Services.

Participation rates are reported liberally. "Active" participants had to have participated in an employment-related activity for a minimum of only one hour a month. Those "beginning an activity" were counted if they participated for at least one day.

The most meaningful way to measure the relative success of training programs is to compare the outcomes based on predetermined criteria. The primary achievement goals for adult programs are: (1) increased average earnings; (2) increased employment rates; (3) reduced AFDC benefits receipt; (4) reduced level of AFDC payments.

In the case of Job Training Partnership Act (JTPA), performance measures included increased high-school completion or GED receipt and reduced Food Stamps benefits.

In determining the efficiency of the program, net and total costs are important considerations but evaluators often calculate the return to government budgets from one dollar of expenditure. However, these calculations utilize key subjective assumptions and projections by program evaluators. Since these results can vary considerably by changing such variables as discount rate, time horizon, adjustments for program changes, and so on, the evaluators' calculations are omitted.

## Appendix Two Methodology of this study

We conducted a systematic review and analysis of the results from evaluations of American programs that had the object of helping disadvantaged recipients achieve economic independence. Other studies have taken the approach of examining similar programs to examine if consistent results emerge. This study was designed to examine a broad range of different approaches to see if any program design used by government had been successful.<sup>116</sup>

Our evaluation mechanism consisted of three steps:

- searching for welfare-to-work experiments and determining if rigorous evaluations had been performed with reliable results
- identifying similarities and differences among programs and assessing if these had any impact on outcomes
- concluding from the evaluations whether any approach had been successful in helping disadvantaged adults or youth attain self-sufficiency.

### Search for, and selection of, evaluative studies

We identified numerous relevant, high-quality studies of welfare-to-work initiatives for adults and youth. We used the following criteria while selecting those to be used in this study.

- (1) The results of the program evaluations were reported after the passage of the Family Support Act (1988).
  - (2) The study had to be testing, at least in part, the effect of welfare-to-work initiatives on adult or youth AFDC recipients.
  - (3) Education or training figured prominently as a component in the design of the programs that were evaluated.
  - (4) For adults, the study measured earnings, employment, AFDC benefits, and AFDC receipt.
  - (5) One study (JTPA study) examined results upon the earnings, AFDC receipt, Food Stamps receipt and high-school accreditation of disadvantaged adults and youth.
  - (6) The effects of the programs on participants were measured by comparison with a control group of non-participants.
- (Job Corps was examined as a case study of an alternative youth program, although it did not meet the above criterion.)

We reviewed the bibliographies of research studies and publication catalogues of prominent organizations who have performed program evaluations—Manpower Demonstration Research Corporation, Abt Associates, United States Department of Labour, United States General Accounting Office—as well as evaluation studies published in economic journals.

Apart from Job Corps, we were able to identify 8 different programs from across the United States. We explicitly excluded programs for young single mothers and other initiatives targeted primarily at youths who were not dropouts but at risk of leaving school without graduating.

After identifying the 8 programs that met our selection criteria, we assessed the quality of each study to ensure its reliability. We used the following six criteria reflecting the rigour, consistency, and reliability of each study:

- similarity of the comparison group to the program recipients
- adequacy of sample size
- standardization of data collection procedures
- appropriateness of the measures used to examine effects
- adequacy of the statistical or other methods used to ensure validity
- presence and appropriateness of the methods used to analyze the statistical significance of outcomes.

### **Results of the quality review**

Most of the 8 programs had well-designed experimental evaluations. All used comparison groups formed by random assignment and all passed the quality test. There were, however, problems in many cases with the implementation and execution (these were discussed in the description of

each program) and these problems should be kept in mind when interpreting results.

### **Synthesis of the results of program evaluations**

We focused on the program effects that dealt with aspects of self-sufficiency including earnings, employment, and use of public assistance. Other interesting outcomes are reported in the discussion of each program. For each program, we report the objective, profile the target group, detail the program design, and examine the costs and results for both the control and experimental group members. The reports tested the likelihood that the results were derived by random chance by using standard tests of statistical significance at the 1 percent, 5 percent, and 10 percent levels.

This study, therefore, evaluates the success or failure of the programs vis-à-vis the goals set by the program administrators. The results from the control group, the incremental change, experimental results, and complete cost data are reported. The impacts are statistically significant at the 1 percent, 5 percent, or 10 percent level, which will be highlighted in the notes. The programs analyzed under the category “Poor Single Parents” are Florida Project Independence (FPI), Ohio JOBS, Baltimore Options, California Greater Avenues to Independence (GAIN), Riverside (GAIN) and San Diego Saturation Work Initiative Model (SWIM). In the category “Disadvantaged Adults,” we analyzed California Greater Avenues to Independence (GAIN), Riverside GAIN, San Diego Saturation Work Initiative Model (SWIM), Ohio Work Chance, and the Job Training Partnership Act (JTPA) for both adult women and men. In the category “Disadvantaged Out-of-School Youth,” we analyzed JTPA for female and male youths and Job Corps.

- 1 For an overview, see Holmes 1996: 67–84. It must be kept in mind that estimates, while illustrative, are often based on limited information.
- 2 Whether continued funding for post-secondary education is desirable is a matter open to some debate. There is reason to believe that funding for post-secondary education is not a good government investment. See Constantos and West 1991: 127–38.
- 3 Constantos and West 1991: 132. Assuming no adjustment for ability and no deadweight costs due to taxation, these figures increase to 18.41 percent and 13.13 percent for primary and secondary respectively.
- 4 Lafleur 1992: 10–15. Results have been inflated to 1996 dollars from 1980 dollar values of \$129,000 for a man and \$107,000 for a woman.
- 5 JTPA, Title II is a specific section of the Act that serves the disadvantaged.
- 6 It should be noted that the programs overlap: some JOBS training takes place in the JTPA program.
- 7 A recent series of experiments in several states found positive results, including that Job Search Assistance was more effective the earlier workers were reached. For an overview of results, see Meyer 1992. Client assessment and profiling and Job Search Assistance were mandated for all state UI programs in the Extended Unemployment Compensation Legislation (1993).
- 8 Operated in both Washington and Massachusetts. However, self-employment schemes are typically attempted by better educated, older, white-collar workers: only 2 percent to 5 percent of Unemployment Insurance recipients are likely to enter these programs. See Benus 1993.
- 9 This program pays a bonus to an unemployed worker who finds work before exhausting benefits. However, this program could provide the incentive for “gaming” the system, drawing in those who expect rapid re-employment and would otherwise not apply in the absence of this incentive. See Decker and O’Leary 1992.
- 10 Evaluations employing an experimental design in which participants are randomly assigned to either an experimental group or a control group, so that differential outcomes can be evaluated are generally considered to be the most rigorous.
- 11 Barsby 1972 provides a detailed cost-benefit analysis of several manpower training programs in operation through the 1960s.

- 12 Young single mothers (aged 16 to 21) are a special target group due to the likelihood that they will not graduate from high school or go on to pursue higher education. One program, Ohio's Learning, Earning and Parenting (LEAP) is currently undergoing evaluation; preliminary results are not promising. See Long, Gueron, Wood, Fisher, and Fellerath 1996.
- 13 Formerly Aid to Dependent Children (ADC).
- 14 Both caseworkers and clients generally viewed these assignments more as fulfilling an obligation to "work off their grants than as opportunities to develop new skills . . . tended to be poorly monitored and were plagued by poor attendance." Fein *et al.* 1994: 102.
- 15 Typical reasons for exemption include an age of 60 or over, working 30 or more hours per week at minimum wage, in second or third trimester of pregnancy, permanently ill or incapacitated, or required in home to care for physically or mentally impaired family member.
- 16 Kemple *et al.* 1995. Annualized earnings are based on 2 year earnings of \$5,539.
- 17 Kemple *et al.* 1995: 76. Based on the difference between total gross cost per experimental participant (\$1,962) and total gross cost per control (\$1,074).
- 18 Kemple *et al.* 1995: 94. Level of significance 1 percent.
- 19 Kemple *et al.* 1995. Level of significance 10 percent. Annualized earnings based on 2 year earnings of \$5,766. Weekly differential based on difference of \$277 over 104 weeks.
- 20 Kemple *et al.* 1995. Level of significance 5 percent. Reported results differ due to rounding.
- 21 Kemple *et al.* 1995. Level of significance 1 percent. Weekly differential based on difference of (\$265) over 104 weeks.
- 22 Kemple *et al.* 1995: 75. This figure was composed of ABE and GED (9.8 percent of funds); ESL (4.6 percent); Vocational Training or Post-Secondary Education (44.8 percent).
- 23 Kemple *et al.* 1995: 76. Based on the product of total gross cost (\$1,962) per experimental participant and the number of experimental participants (13,509).
- 24 Gueron and Pauly 1991: 256-7. Based on the difference between total gross cost (\$1,050) per experimental participant and total net cost per experimental (\$953).
- 25 Gueron and Pauly 1991. Level of significance 1 percent. Weekly differential based on difference of \$394 over 52 weeks.
- 26 Gueron and Pauly 1991: 256-7. Based on the product of total gross cost (\$1,050) per experimental participant and the number of experimental participants (1,362).
- 27 Fein *et al.* 1994: 20. In Canada, anti-poverty activists use Statistics Canada Low Income Cut-Off (LICO), a measure of relative wealth, to determine the poverty line. In the United States, however, government agencies use the Orshansky method, which sets the poverty line at three times the cost of a nutritious "economy food plan." See Sarlo 1996.
- 28 John Blomquist (Abt Associates), personal communication with M. Danielle Smith, December 11, 1996. Based on total program costs (\$2.3 million) divided by the number of experimental participants (3,400) for gross costs of \$689. The



- control group cost is the difference between the gross total cost per experimental participant and the net total cost per experimental participant (\$418).
- 29 Fein *et al.* 1994: 41. Annualized earnings are based on 18 month earnings of \$1,307.
- 30 Blomquist, personal communication, 1996.
- 31 Fein *et al.* 1994: 79. Level of significance 5 percent.
- 32 Fein *et al.* 1994. Level of significance 10 percent. Annualized earnings based on 18-month earnings of \$1,484. Weekly differential based on difference of \$177 over 78 weeks. Level of significance 10 percent.
- 33 Blomquist, personal communication, 1996.
- 34 The program was established for AFDC recipients of both Family Group and Unemployed Parent classes. These figures consider only the impacts on single-parent families; AFDC-Unemployed Parent experimental participants discussed below.
- 35 Riccio, Friedlander, and Freedman 1994: 45. Basic education includes ABE/GED (42.4 percent) and ESL (10.2 percent).
- 36 In practice, many recipients left AFDC before the sanction took effect.
- 37 Riccio *et al.* 1994: 90. The breakdown of spending is ABE/GED (21.8 percent); ESL (7.6 percent); vocational/post-secondary (32.9 percent).
- 38 Riccio *et al.* 1994: 94. Does not sum due to rounding.
- 39 Riccio *et al.* 1994: 122. Annualized earnings are based on 3 year earnings of \$7,781.
- 40 Riccio *et al.* 1994. Level of significance 1 percent. Weekly differential based on difference of \$1,414 over 156 weeks.
- 41 Riccio *et al.* 1994. Level of significance 1 percent.
- 42 Riccio *et al.* 1994: 127. Based on an average of the 6 counties.
- 43 Riccio *et al.* 1994: 153. Level of significance 5 percent. Weekly differential based on difference of \$87 over 156 weeks.
- 44 Riccio *et al.* 1994: 122. Level of significance 1 percent. Weekly differential based on difference of \$961 over 156 weeks.
- 45 Riccio *et al.* 1994. Level of significance 1 percent.
- 46 Riccio *et al.* 1994: 93–4. Based on the product of total gross cost (\$4,895) per experimental participant and the number of experimental participants (17,852).
- 47 Riccio *et al.* 1994: 45. Basic education includes ABE/GED (30.8 percent) and ESL (9.8 percent).
- 48 Riccio *et al.* 1994: 86. The breakdown of spending is ABE/GED (14.6 percent); ESL (5.3 percent); vocational/post-secondary (26.2 percent).
- 49 Riccio *et al.* 1994: 120. Annualized earnings are based on 3 year earnings of \$6,335.
- 50 Level of significance 1 percent.
- 51 Riccio *et al.* 1994: 120. Annualized earnings are based on 3 year earnings of \$9,448. Weekly differential is based on difference of \$3,113 over 156 weeks.
- 52 Riccio *et al.* 1994: 120. Level of significance 1 percent.

- 53 Riccio *et al.* 1994: 120. Level of significance 1 percent. Weekly differential is based on difference of \$1,983 over 156 weeks.
- 54 Riccio *et al.* 1994: 120. Level of significance 1 percent. Weekly differential is based on difference of \$189 over 156 weeks.
- 55 Riccio *et al.* 1994: 93. Based on the product of total gross cost per experimental participant (\$3,469) and the number of experimental participants (4,568).
- 56 Gueron and Pauly 1991: 256–7. Based on the difference between total gross cost per experimental participant (\$1,545) and total net cost per experimental (\$919).
- 57 Friedlander and Burtless 1995: 154-5. Level of significance 1 percent. Weekly differential based on difference of \$1,930 over 5.25 years, or 273 weeks.
- 58 Friedlander and Burtless 1995: 109–10. Level of significance 5 percent. Weekly differential based on difference of \$415 over 52 weeks.
- 59 Gueron and Pauly 1991: 256–7. Based on the product of total gross cost per experimental participant (\$1,545) and the number of experimental participants (1,605).
- 60 Riccio *et al.* 1994: 41. Basic education includes ABE/GED (18.8 percent) and ESL (16.7 percent).
- 61 Riccio *et al.* 1994: 204. Annualized earnings are based on 3 year earnings of \$9,045.
- 62 Riccio *et al.* 1994: 204. Level of significance 1 percent. Weekly differential based on difference of \$1,168 over 156 weeks.
- 63 Riccio *et al.* 1994: 228–9. Level of significance 1 percent. Weekly differential based on difference of \$222 over 156 weeks.
- 64 Riccio *et al.* 1994: 204. Level of significance 1 percent. Annualized earnings are based on 3 year earnings of \$10,156. Weekly differential is based on difference of \$1,111 over 156 weeks.
- 65 Riccio *et al.* 1994: 204. Level of significance 1 percent.
- 66 Riccio *et al.* 1994: 103–4. Based on the product of total gross cost per experimental participant (\$3,789) and the number of experimental participants (7,039).
- 67 Riccio *et al.* 1994: 202. Annualized earnings are based on 3 year earnings of \$10,036.
- 68 Riccio *et al.* 1994: 202. Level of significance 5 percent. Annualized earnings are based on 3 year earnings of \$11,542. Weekly differential is based on difference of \$1,506 over 156 weeks.
- 69 Riccio *et al.* 1994: 202. Level of significance 1 percent.
- 70 Riccio *et al.* 1994: 202. Level of significance 1 percent. Weekly differential is based on difference of \$2,064 over 156 weeks.
- 71 Riccio *et al.* 1994: 228. Level of significance 1 percent. Weekly differential is based on difference of \$357 over 156 weeks.
- 72 Riccio *et al.* 1994: 228. Difference of 2.5 percentage point has level of significance of 10 percent.
- 73 Riccio *et al.* 1994: 103. Based on the product of total gross cost per experimental participant (\$3,146) and the number of experimental participants (1,666).
- 74 Friedlander and Hamilton 1993: 46. Annualized earnings are based on 5 year earnings of \$21,818.

- 75 Friedlander and Hamilton 1993: 45. Annualized earnings are based on 5 year earnings of \$22,878. Weekly differential is based on difference of \$1,060 over 260 weeks.
- 76 Friedlander and Hamilton 1993: 45. Level of significance 10 percent.
- 77 Friedlander and Hamilton 1993: 46. Level of significance 5 percent. Weekly differential is based on difference of \$1,961 over 260 weeks.
- 78 Gueron and Pauly 1991: 256–7. Based on the product of total gross cost per experimental participant (\$1,292) and the number of experimental participants (686).
- 79 Blomquist, personal communication, 1996. Evaluators did not have total cost per experimental participant or control costs so this figure had to be calculated using the following method. Since funding and participation declined over the course of the demonstration, each of the three cohorts was allocated a percentage of the total expenditure based on participation. Assuming that the greatest budget expenditure went to those who participated in program activities, total participation was 7,191 individuals: 3,184 (cohort 1); 1,542 (cohort 2); 2,465 (cohort 3). Based on these participation rates, costs were assigned on a percentage basis: 44.3 percent (1), 21.4 percent (2), 34.3 percent (3). The resulting allocation was then divided by the total number of all clients assigned to that cohort, yielding experimental costs of \$1,256 (1), \$912 (2), \$693 (3). With net costs per experimental participant reported to be \$1,025, for cohort 1 the cost per control was calculated at \$231.
- 80 Blomquist, personal communication, 1996.
- 81 Fein *et al.* 1994: 52. Level of significance 1 percent.
- 82 Blomquist, personal communication, 1996.
- 83 Orr *et al.* 1996: 26. The 16 SDA were located in the following states: Indiana, Georgia, Texas, Mississippi, Rhode Island, Missouri, New Jersey, Ohio, California, Nebraska, Colorado, Florida, Minnesota, Montana, Illinois, and Iowa.
- 84 These figures are consistent with 1993 annual costs of \$1.7 billion spent on about 550,000 new participants. The total training costs per adult JTPA trainee are \$3,300. From United States Department of Labour, Employment and Training Administration, December 1995, personal communication.
- 85 Orr *et al.* 1996: 103. Annualized earnings are based on 2.5-year earnings of \$12,241.
- 86 Orr *et al.* 1996: 103. Level of significance 1 percent. Weekly differential is based on difference of \$1,176 over 130 weeks.
- 87 Orr *et al.* 1996: 103 Annualized earnings are based on 2.5-year earnings of \$13,417.
- 88 Orr *et al.* 1996: 111. Level of significance 5 percent.
- 89 “Program decay” occurs when the results of experimental and control group members converge over time, indicating that initial impacts fail to take hold and modify the behaviour of the experimental participants permanently.
- 90 Orr *et al.* 1996: 78, 97. Based on the product of total gross cost per experimental participant (\$2,147) and the number of experimental participants (4,088).

- 91 Orr *et al.* 1996: 103. Annualized earnings are based on 2.5-year earnings of \$18,496.
- 92 Orr *et al.* 1996: 103. Level of significance 10 percent. Annualized earnings are based on 2.5-year earnings of \$19,474. Weekly differential is based on difference of \$978 over 130 weeks.
- 93 Orr *et al.* 1996: 112. Level of significance 5 percent.
- 94 Orr *et al.* 1996: 78, 97. Based on the product of total gross cost per experimental participant (\$1,571) and the number of experimental participants (3,399).
- 95 Orr *et al.* 1996: 121. Annualized earnings are based on 2.5-year earnings of \$10,106.
- 96 Orr *et al.* 1996: 121. Annualized earnings for experimentals based on 2.5-year earnings of \$10,241.
- 97 Orr *et al.* 1996: 127. Level of significance 10 percent.
- 98 Orr *et al.* 1996: 78, 117. Based on the product of total gross cost per experimental (\$2,717) and the number of experimental participants (1,807).
- 99 Orr *et al.* 1996: 121. Annualized earnings for experimentals based on 2.5-year earnings of \$16,375.
- 100 Orr *et al.* 1996: 121. Annualized earnings for experimentals based on 2.5-year earnings of \$15,786.
- 101 Orr *et al.* 1996: 72, 117. Based on the product of total gross cost per experimental participant (\$2,896) and the number of experimental participants (1,121).
- 102 GAO/HEHS 1995: 3–6. Included Hawaii, Alaska, and Puerto Rico but not Delaware, Rhode Island, Wyoming, and New Hampshire.
- 103 Includes those who left the program for any reason including dropping out, returning to school, or getting a job.
- 104 For a more complete treatment of “workfare” approaches, see Krashinsky 1995: 91–120.
- 105 Betcherman 1992: 25–33. Employers support training by providing direct in-house training, direct payment of program fees, granting educational leave, or providing for related costs such as books, transportation, and the like.
- 106 Representative sample consists of 45,328 Canadians aged 15 and older. This survey employed a sound methodology using focus groups, pilot tests, and direct responses from survey participants rather than proxy responses. The sample used in the article includes full-time employees aged 17 to 64 who have been with their employer for at least one year. Formal training is defined as either programs of education and training leading to credentialized certification or courses, e.g., other workshops, seminars, and tutorials. See Kapsalis 1993: 3-11.
- 107 Baldwin and Johnson 1995: 3. The United States has similar results with 31 percent employer training and 70 percent post-secondary enrollment.
- 108 “Literacy,” as broadly defined by the International Adult Literacy Survey includes reading, writing, comprehension, math, and logical thinking skills. See OECD 1995a: 27–29.
- 109 This is a conservative evaluation. It is possible that Level 2 literacy may also be inadequate in industrialized economies.

- 110 OECD 1995a: 61. Since the results among prose, document, and quantitative skills are very similar, adopting the convention from the original report only the results for document skills are reported here for ease of exposition.
- 111 Where “low income” is determined as the bottom first quintile in an individual nation.
- 112 Statistics Canada 1994. Figures quoted in 1996 dollars.
- 113 Statistics Canada 1994; Statistics Canada 1996b. Figures quoted in 1996 dollars.
- 114 Statistics Canada 1996c; Statistics Canada 1996b.
- 115 The authors are careful to note that both figures probably underestimate the total cost of education: capital expenditures and pension liabilities are excluded from the discussion of public costs and private contributions and fund-raising activities are excluded from private costs. These points, however, are peripheral to the discussion of what a voucher would be able to buy.
- 116 The methodology for this study closely followed that of the General Accounting Office (GAO) Welfare to Work study, with a few exceptions.

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