

Cato Institute Policy Analysis No. 131: JTPA: Another Federal Training Fraud

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James Bovard

James Bovard is an associate policy analyst at the Cato Institute. He also wrote about job training in the March 1990 issue of *Reader's Digest*.

Executive Summary

Another federal job training program is spiraling out of control. The Job Training Partnership Act is squandering billions of dollars, subverting youths' understanding of the work ethic, and providing contractors with a license to steal. JTPA is also a move-a-factory-a-day program; it encourages businesses to transfer their operations to other areas.

A women's center in Tarrant County, Texas, collected a 977 percent profit thanks to a JTPA contract. JTPA has spent taxpayers' money to set up a circus museum, teach cab drivers to smile, and enable a small-town mayor to fly to Japan. The Labor Department's inspector general found that young JTPA trainees are more than twice as likely to receive food stamps after training.(1)

The Job Training Partnership Act, enacted in 1982 to replace the discredited Comprehensive Employment and Training Act and avoid the CETA boondoggle, was supposed to open a new chapter in federal job training: bringing the genius of the private sector into the government's efforts to help society's disadvantaged. The act's goal was "to establish programs to prepare youth and unskilled adults for entry into the labor force."(2) Sen. Edward Kennedy proclaimed, "We are offering new hope and opportunity to young people seeking their first job."(3) Sen. Dan Quayle, widely recognized as the father of JTPA, maintained, "The new legislation will provide standards for judging the program by what is accomplished, by whether those trained are hired or earn more as a result of training."(4)

JTPA is a federally funded, locally directed program. It is advised--and in many areas, controlled--by Private Industry Councils; at least 51 percent of each PIC's members are representatives of private businesses. The PICs are the primary difference between JTPA and preceding federal training programs.

A local government or a PIC puts out requests for proposals to offer certain types of training, then evaluates the bids submitted and chooses training providers. JTPA offers job search assistance, classroom training, and on-the-job training subsidies as well as special programs for the young. Local officials attempt to direct recruits to the JTPA programs that best suit their needs.

Throwing Money at Businesses

Although JTPA was created to help the disadvantaged acquire training and find jobs, it has become a blatant corporate welfare program through which businesses are lavishly paid to follow their self-interest. The Toledo, Ohio, PIC's newsletter declared that "everyone knows serving the employer is number one."(5) A confidential 1988 Labor Department memorandum warned that local JTPA administrators "might be creating slush funds to help favorite

companies expand or modernize their facilities."(6)

JTPA primarily serves to transfer the cost of job training from private firms to the federal government. The program will pay an employer 50 percent of a worker's wages for up to six months if it claims to be training him. Little monitoring is done to ensure that businesses are actually training the workers.

The McDonald's restaurant chain has probably been the largest recipient of JTPA subsidies in the nation. It has used its federal handouts to train over 10,000 youths and adults, a vast majority of whom it probably would have hired without such subsidies. In Milwaukee, the nine companies found to have received the most JTPA funding for hiring youths are all fast-food restaurants.(7) JTPA provided a Wendy's restaurant in Gary, Indiana, with over \$125,000 for hiring and training 57 workers.(8) A nationwide survey by the General Accounting Office found that the job most frequently obtained by JTPA trainees was janitorial work.(9)

The Eastern (Oklahoma) Private Industry Council has paid training subsidies to allow college students to work at Big Cheese Pizza restaurant. Mark Choitz, the manager of Big Cheese Pizza, declared, "I thought the EPIC counselor was crazy when she talked about reimbursing me for half of the employees' wages for five months."(10) But because the local McDonald's was taking training subsidies, Big Cheese Pizza decided to follow suit in order to stay competitive. When asked whether the funding had resulted in his hiring different workers than he otherwise would have hired, Choitz replied, "I used JTPA people to fill shifts that I have trouble filling anyhow, so it made little difference."(11)

Many PICs have taken over the hiring for new outlets of large corporations. The Toledo, Ohio, PIC seemed very proud that it had saved Radisson Hotels over \$145,000 in 1987. Its annual report stated, "In early 1987, [a] Radisson Hotel was readying to open in downtown Toledo. It faced the prospect of hiring and training nearly 300 new employees at a staggering cost."(12) Apparently the Toledo PIC believed that a Fortune 500 company that earns substantial profits could not afford to hire and train employees at a hotel it had already built. "Basically, we would have hired many of the same people anyway," said the Toledo Radisson's personnel director, Cathy Clapfish. "We interviewed people and found the ones we wanted, then we checked their JTPA eligibility. If a person qualified for on-the-job training subsidies, it was just a bonus for us."(13)

JTPA has provided over \$2 million to help McDonnell Douglas find and train workers to build jet aircraft in Long Beach, California.(14) "JTPA is saving us over \$2 million a year," said Jim Groom, McDonnell Douglas's Long Beach training director.(15) McDonnell Douglas has orders for hundreds of jets and intends to hire 8,000 people in 1990. If JTPA were not subsidizing its search for employees, the company would be spending more of its own money for exactly the same purpose. It is especially ludicrous to use federal aid to recruit aircraft workers in the Los Angeles area, where a Hughes Aircraft plant plans to lay off 5,000 workers.

Some of JTPA's private-sector contractors in Houston did virtually nothing to help the trainees. Having reported that Houston's Hargest Vocational and Technical College had received \$207,908 for training 92 JTPA participants, the Labor Department's inspector general observed,

The training was to last 8 weeks, and the participants were to spend approximately 4 hours each day in a classroom and 4 hours in internship training. . . . We were told that the JTPA participants were being trained to recruit other disadvantaged individuals to enroll in the school by signing [them] up for federally subsidized education loans and grants. . . . In fact, while in training, the JTPA participants were actively recruiting for Hargest at least 4 hours each day during the "internship" portion of the training. This was done by going to such places as bus stops, community centers, and homeless shelters. During these trips the trainees were unsupervised. Further, Hargest was paying them \$50 for each student they recruited for the JTPA recruiter training and \$100 for each student recruited for other Hargest courses.

The inspector general concluded, "We believe the training funded by JTPA was solely intended to benefit Hargest by increasing student enrollments and income for Hargest from federally subsidized education loans and grants."(16)

Diversified Training Services Institute of Houston received JTPA funds for training a person to be a security guard even though he already had seven years of experience as a security guard. Under another JTPA contract the institute trained 10 people to be cashiers for convenience stores even though six of them already had experience as cashiers.

Computech of Houston received \$643,606 for training JTPA participants in word processing and data entry. The Labor Department's inspector general noted, "One participant was placed as a cook at the city jail. On placement and retention verifications, Computech listed the job title as 'data entry/CRT clerk.' . . . Another participant was placed as a part-time carpet cleaner. Computech listed the job title as 'general office clerk.'"

Over half of the money that JTPA provided for on-the-job training in Houston was spent to train people to become security guards. The inspector general reported,

The state of Texas requires 30 hours of training to certify an individual to work as a security guard. However, for the eight brokers we reviewed that wrote contracts for security guard OJT, training lengths ranged from 80 to 320 hours at a cost of almost half a million dollars for training in an occupation that is often short-term in duration of employment and pays close to minimum wage.(17)

The inspector general concluded, "Of the total amount of money spent on the average JTPA participant enrolled in on-the-job training [in Houston], less than 30 percent goes toward the training itself."(18) He also noted that other firms in Houston provide training at prices far lower than those charged by JTPA contractors.

Although JTPA's on-the-job training subsidies were intended to aid people who would not otherwise be hired, the Labor Department's inspector general found that 60 percent of the businesses surveyed would have hired the JTPA clients that they had trained even without such subsidies.(19) The inspector general also found that almost half of the trainees had quit or been fired after the subsidies (which lasted for up to six months) expired.(20) GAO associate director William Gainor observed, "We found some interesting cases of short-term on-the-job training, of about 600 hours, in which one person in OJT was followed by another person in the same job for another 600 hours of OJT, followed by another person in the same job for another 600 hours of OJT."(21)

According to GAO, the average duration of the JTPA-subsidized training programs for custodians, housekeepers, dishwashers, laundry workers, and laborers was more than double the Labor Department's suggested training period. GAO associate director Lawrence Thompson told a congressional committee, "Some of these contracts may come closer to providing long-term subsidy arrangements than to providing training opportunities."(22) Gainor told the committee that a long on-the-job training program is "permitted because no one has written any rules, regulations, [or] guidance, whatever, that discourages or forbids it."(23) GAO found that 33 percent of the adults and over 50 percent of the youths were dismissed from their jobs once the JTPA subsidies expired.

Likewise, although JTPA was intended to help unemployed Americans, it has enabled Japanese corporations to reap lavish profits. A Toyota plant in Georgetown, Kentucky, has received over \$6 million worth of JTPA subsidies and is scheduled to receive \$4 million more. Yet Sam Heltman, a Toyota vice president, said, "The subsidies had absolutely no effect on whom we hired and trained. We would have hired and trained the same people anyway."(24) Toyota has not altered its recruitment and training programs in the least in response to the JTPA handouts, which were guaranteed to the company as part of a state government package of incentives that induced it to locate in Kentucky. The Labor Department's inspector general noted that "most of the individuals trained were fully employed prior to training and did not qualify under any provisions of JTPA" and that "the types of training offered were not allowable under the applicable section of the Act."(25)

A Subaru-Isuzu plant in Lafayette, Indiana, received over \$1.6 million in JTPA aid, of which it spent \$135,358 to teach Japanese employees English so that they could train American employees and \$21,899 to engage interpreter services. The Labor Department's inspector general found that the state of Indiana had signed "retroactive JTPA grants as part of its incentive package to encourage Subaru-Isuzu Automotive, Inc. (SIA) to locate in Indiana. As a result, JTPA funds paid SIA for approximately \$212,322 of the costs incurred before the execution date of the grant." The inspector general concluded,

We believe the JTPA paid \$545,810 to SIA and Arvin Sango, Inc. (ASI) for unnecessary services. We base our belief on these facts: JTPA funds paid to screen, hire, and train only the most qualified applicants. JTPA participants received the same treatment as all regular employees because neither SIA nor ASI knew which job applicants were JTPA - participants at the time of job offer. [There was] no evidence that the participants received any additional/special training. . . . Both SIA and ASI would have hired the

participants without JTPA funding. . . .

It is our opinion that the \$523,648 [in] JTPA funds provided through July 14, 1989, for the Indiana incentive package offered to SIA were normal costs for a foreign firm to start up manufacturing operations in the United States. As a result, JTPA funds have subsidized the firm's costs rather than having provided training and employment services to economically disadvantaged individuals.(26)

If the Japanese government helped Japanese businesses cover the cost of job training, members of Congress would scream, "Unfair trade!" and the Commerce Department would impose a countervailing duty on Japanese imports. But it is apparently acceptable for the U.S. government to force American taxpayers to subsidize the operating costs of a Japanese corporation.

Move-a-Factory-a-Day Madness

The Job Training Partnership Act states, "No funds may be used to assist in relocating establishments, or parts thereof, from one area to another unless the Secretary [of Labor] determines that such relocation will not result in an increase in unemployment in the area of original location or in any other area."(27) Yet PICs all over the nation have been using JTPA money to bribe manufacturers to lay off workers and move. What was intended to be a job training program has turned into a massive relocation scam. An Eastern (Oklahoma) PIC official, Pat Boyd, claimed in the PIC's news- letter that "any time you can entice a large corporation to relocate you're helping everybody."(28) (Boyd refused to discuss that statement.)

For example, when Hebrew National Kosher Foods became enmired in a labor dispute in Queens, New York, it laid off 87 workers, shifted some of its operations to Indianapolis, Indiana, and used JTPA funds to train 49 new workers.(29) Hebrew National is paying its Indianapolis workers much lower wages than it paid its Queens workers. University of Chicago professor Gary Orfield observed, "The federal government has created a heavy subsidy for businesses to fire people in one place and hire them in another place."(30)

Companies have received JTPA windfalls by simply threatening to relocate. As Tim Kelley, former president of the Indianapolis branch of the American Federation of State, County and Municipal Employees, noted, "If you're a business, you can either rob banks or threaten to move your plant--you get money either way."(31) The Houston Job Training Partnership Council declared in its 1988 annual report, "We bring our resources to the bargaining table to ensure that businesses contemplating relocation or expansion here are offered innovative human resource incentives."(32)

When Compaq Computer Corporation threatened to leave the Houston area, it received a \$4 million pledge of recruitment and training aid from JTPA, the Texas Employment Commission, and a community college. The Houston Economic Development Council announced, "To convince Compaq Computer Corporation to expand in Houston, area government, education, and business leaders created a multimillion-dollar package of incentives and improvements that will benefit both the company and the growing Northwest Houston area."(33) Compaq had a flood of incoming orders and would have had to hire and train workers rapidly regardless of whether it moved. But thanks to the Houston Job Training Partnership Council, American taxpayers were forced to help pick up much of Compaq's tab.

"We found out that we are already hiring many handicapped people, veterans, and others who just happen to qualify for JTPA," explained Nora Rice of Compaq's Houston office. "So we have begun filling out the paperwork to receive JTPA subsidies. There has been no change in training procedures. Because JTPA is an easy government program to work with, we feel we should take advantage of it."(34)

Misusing Training Money

The Labor Department has allowed PICs to spend JTPA funds on activities that have nothing to do with job training. The PIC in Russell County, Virginia, spent \$25,000 on an engineering study to help a women's apparel manufacturer with site development. It also allocated \$13,000 for a tourist center and \$5,000 for an Indian museum.(35) The PIC in Peru, Indiana, spent \$7,600 to help start a circus museum, which it claimed would attract tourists and thereby create jobs.(36) The PIC in Washington, D.C., has been using JTPA funds to help teach taxi drivers to smile at their

customers.(37) JTPA paid \$15,000 to allow the mayor of Brazil, Indiana, and his son to travel to Japan and fish for investors. JTPA funds even covered the mayor's gifts to Japanese executives.(38) The Western Indiana PIC spent \$12,000 on a study of the feasibility of setting up a prep school for students from Japan.(39)

JTPA money has also been used to feverishly pursue other federal money. Job Works, the JTPA administrator in Fort Wayne, Indiana, is paying a consultant \$86,000 a year to help businesses win federal contracts.(40) Scores of PICs have set up federal contract procurement centers.

JTPA funds have often been used to assist businesspeople in snaring Small Business Administration loans. The Houston Job Training Partnership Council set up the Capital Formation Assistance Center to help businesspeople get government-subsidized loans of up to \$750,000 each.(41) The Bay Consortium PIC in Warsaw, Virginia, used JTPA money to prepare an application for a Community Development Block Grant (to extend a sewer line) and an application for an Economic Development Administration loan.(42) Such expenditures may provide some benefit to localities, but they are a dead loss for the nation.

Some PICs have made direct loans to finance the start-up or expansion of businesses. Almost two-thirds of all new businesses fail within the first five years, but as long as a borrower's business holds together for a few months, he can be listed as having been "placed in a job" on JTPA's ledger.

Warping the Work Ethic

JTPA's youth employment programs are squandering almost \$1 billion a year and instilling poor work habits in a generation of young people. In Chicago, 18-year-olds have been paid for listening to sex education talks.(43) A Brown County, Wisconsin, JTPA program has paid students for sitting in high schools during the summer to make up the detention time that they did not serve during the school year.(44) In 1988 an Eastern Oklahoma program paid students for putting on a puppet show. According to the PIC's newsletter,

Each student portrayed a different animal, and each one had something to say about how man had polluted his environment. It was very clever. The students gained oral language skills and an appreciation for the language. Through projects like this, they developed a group spirit.(45)

Not surprisingly, as Elijah Anderson, a sociologist at the University of Pennsylvania, noted, in many black communities, the Summer Youth Employment Program has a bad name and a reputation for being a sham and a waste of time.(46) A number of SYEPs are avoiding high-school dropouts and instead serving college students, many of whom are being paid for attending classes or programs that they would have attended anyway. The SYEP in San Francisco has recruited college students as interns for Arthur Andersen, America's largest accounting firm.(47) Almost 20 percent of the trainees in a Russell County, Virginia, program were college students.(48) A Wisconsin PIC has set up a special program that finds college students summer jobs related to their areas of study and subsidizes 50 percent of their wages.(49)

Washington, D.C., has one of the largest SYEPs in the nation; in 1989 over 16,000 teenagers were enrolled. Larry Brown of the District of Columbia Department of Employment Services explained, "We don't fire any of the kids. Being fired just doesn't do anything to help a 14- or 15-year-old."(50) Those who refuse to exert themselves at one job site are simply transferred to another job site. The District's SYEP has received harsh treatment in the press, and Brown was hostile toward the Washington Post, saying that he had not yet issued a press release on the program because he did not want to draw the paper's attention to it. Mayor Marion Barry, Jr., declared that "there are no 'busy work' job assignments" in the program. "All of the jobs are productive, and will benefit our youth by providing them with market-able skills and enduring personal values."(51)

Another JTPA program in Washington is the Marion Barry Youth Leadership Institute, which provides a resting place for as many as 590 teenagers year round. Janet Rosser, its youth program director, said, "We consider attending the Leadership Institute to be work--the same as a job. That's why we pay youth to attend this program."(52)

One morning in July 1989 three groups of 14- to 17-year-olds "worked" by having a rowdy debate on whether women are interested in sex and whether men want women to be submissive. Rosser said that they were learning

"conversational skills," but the session seemed to be an exercise in chaos. Many of the trainees were shouting, jumping up, throwing paper clips, and punching or stroking each other; few of them were paying attention to the leader. In the afternoon they "worked" at volleyball, swimming, basketball, and aerobics.(53)

The Marion Barry Youth Leadership Institute is closely linked to the mayor. It holds election eve rallies to encourage young people to vote--and, obviously, to encourage them to support Barry, who is perennially fighting for his political survival. A poster distributed by the D.C. Department of Employment Services proclaimed, "Mayor Marion Barry, Jr.-No Other City [sic] in the World Has Matched His Commitment to Youth."(54) The Leadership Institute's trainees are continually given the impression that the mayor personally is providing them with a job.

In the private sector, a teenager keeps a job by being productive enough to earn his pay. In the public sector, administrators earn Brownie points by firing as few teens as possible. According to Gary Burtless, a training expert at the Brookings Institution, "There is too much of a social work mentality in these programs. The administrators don't want to give a bad mark to anyone."(55)

Pampering kids with feel-good experiences may sound humane, but it is no way to prepare them for the working world, where jobs are often tedious, strenuous, and difficult. JTPA "employment" programs tend to make kids unfit to provide a day's work for a day's pay.

Such programs are a prime contributor to illusions about the world of work among some young blacks and may have actually increased their long-term unemployment. As Robert Woodson, president of the National Center for Neighborhood Enterprise, observed, "The programs instill a false sense of work in kids and make it more difficult for them when they go out and try to get real jobs."(56)

Some of the programs simply slosh money onto well-connected contractors. The Labor Department's inspector general found that a Wisconsin JTPA agency had paid \$26,200 to the Farmers Union Job Training Program. Of the 20 young people for whom FUJTP found jobs and training, 16 were college students. Moreover, 13 of the 20 had already applied for jobs with the employers to which FUJTP referred them; the only effect of redirecting them to those employers through FUJTP was to allow FUJTP to collect a large fee for doing nothing. More than half of the 20 workers placed had been hired by the same employers the previous summer.

Most of the jobs were at the Manitowoc County Highway Department and the Manitowoc County Public Works Department, both of which had planned to hire young people anyway. The two employers had received thousands of dollars to provide on-the-job training, but none occurred. An official of the Lake Michigan (Wisconsin) Service Delivery Area (the JTPA unit responsible for administering the program) explained the decision to contract with FUJTP by saying, "We had a very difficult time recruiting enough youth for the abundance of jobs in the area."(57)

A Federal License to Steal

According to Helen Laughlin, a Labor Department assistant regional inspector general,

JTPA is a state program in the sense that the states were left to administer it. And there are rampant abuses and waste out there because no one is doing a damn thing out there. We're talking about multimillion-dollar contracts that are being let and nobody's saying that anybody has to be qualified to do anything. Millions and millions of dollars are being spent on trainers who are not qualified to train.(58)

In 1985 GAO warned the Labor Department that its reliance on state and local fiscal oversight failed to meet the requirements of the Financial Integrity Act.(59) But the Labor Department has not increased its oversight of JTPA significantly since then.

A federal grand jury investigated alleged JTPA abuses in Ohio. According to a June 1988 series of articles by Gary Webb in the Cleveland Plain Dealer, the Ohio Bureau of Employment Services, under pressure from Gov. Richard Celeste's office, had awarded \$1.4 million worth of JTPA contracts to Celeste campaign contributors to set up job training programs that almost totally failed to provide worthwhile training and place trainees. Although Ohio law prohibits elected officials from awarding no-bid contracts to companies that have contributed over \$1,000 to their

campaigns, Governor Celeste dodged that requirement by announcing that JTPA money amounted to a grant, not a contract payment.

Businesses that had received JTPA contracts were pressured to buy dozens of \$250 tickets to a dinner for the governor. The Buckeye School of Horsemanship, owned by a major Celeste campaign contributor, fired its grooms and trained 50 recruits to replace them, spending \$6,184 in JTPA money apiece. Most of the training "consisted of working six hours a day in horse barns, shoveling manure and cleaning stalls," Webb reported.(60)

Ohio poured \$825,000 in JTPA money into Wooster Business College, owned by another major Celeste (and Democratic) campaign contributor, even though the tiny school was near bankruptcy. JTPA reviewers had scorned the college's contract proposal; among their comments were "Awful program!", "Title III is supposed to improve workers' lives, not keep women poor," and "Being enrolled in this program will actually cost the participant personal expense."(61) Moreover, Wooster Business College had proposed to charge more than twice as much as some of the institutions that were conducting JTPA training programs. But the governor's friends pressured Ohio's JTPA director, and the contract was approved. Among the services for which the college was paid so lavishly was running a job placement service; it simply made photocopies of the "help wanted" ads in local newspapers and handed them out to students.(62)

Another Ohio JTPA program involved spending \$100,000 to train 32 unemployed coal miners to become engineering aides. Only two of the trainees got jobs, which is not surprising, because there was no demand for engineering aides in the area of Ohio where the training occurred. Gene Dulkowski, one of the laid-off coal miners, complained, "They guaranteed us jobs. They brainwashed us into joining this thing and at the end, we never got jobs. They didn't give us any leads or nothing." The only benefit most of the trainees received was a steak dinner at the end of the training program.(63) One of the factors that lead to such problems is that JTPA's "laws, rules and regulations, and policies are so loosely written and vague that even people who work within these programs frequently disagree in interpretation," an Ohio Bureau of Employment Services task force concluded.(64)

The Labor Department has effectively waived federal conflict-of-interest laws for JTPA programs, insisting that state or local conflict-of-interest laws be applied instead. Although the Labor Department portrays PIC members as altruistic, devoted champions of the public interest, there have been a slew of cases of their lining their own pockets. A Cape Cod PIC member, John Anjos, was awarded a no-bid \$500,000 JTPA contract to provide training that was already being provided--at a low cost--by a nearby Cape Cod community college.(65) Karen T. Tyler, president of the South Central Indiana PIC, collected \$163,000 from JTPA in the first six months of 1988 alone.(66) Tyler was able to obtain that windfall because she was also president of Regional Growth Enterprises, the company with which the PIC had contracted.

A confidential June 17, 1988, memo from one official of the Indiana Department of Employment and Training Services to another concluded that the price paid to Regional Growth Enterprises was "unreasonable." The memo noted that "53 percent of the contract was performed within the first month" and that "17 percent of the participants were exited from the program within five days." In addition, "of the 51 on-the-job training contracts reviewed, all were unsigned by at least one party prior to the . . . start of training."(67)

The chairman of the PIC in Fort Worth, Texas, who was in the commercial real estate business, arranged for the PIC to buy a building for \$590,000 even though its market value was only \$175,000. The PIC chairman was on the board of directors of the bank that financed the property, and the seller just happened to be a business acquaintance of his. Some of the space in the building was leased out and is being used for non-JTPA business. The PIC funded the purchase by charging itself a rent that was double the market rate and using tax-payers' money to pay the rent, but the building will become its property, to be used as it likes.(68) As Indiana University professor Mark Crouch observed, "If you were to set up a welfare system that left it up to welfare mothers to determine how much money they should get, people would be outraged. But JTPA supporters see nothing wrong with letting businesspeople govern this program in the same way."(69)

JTPA contracts seem to have been designed to encourage contractors to pad costs. In 1988 the Labor Department's inspector general found that 83 percent of the contracts reviewed failed to safeguard federal tax dollars adequately.(70)

Contracts commonly fail to specify how the money is to be spent, what qualifications the trainers are to have, and what constitutes a conflict of interest and fail to require audits of expenditures and performance evaluations. The inspector general also found that 63 percent of the contracts reviewed "did not contain a requirement for documentation of evaluations and progress in training" and that almost 50 percent of the contracts did not require contractors to retain their records.(71)

Some JTPA contracts seem to have been designed to encourage contractors to shortchange trainees. The Labor Department discovered a contract in which the profitability depended on the brevity of the training.(72) Another contract specified that a Fort Worth, Texas, public school would be paid even if 98 percent of the trainees dropped out before completing the training.

The supposedly nonprofit Women's Center of Tarrant County, Texas, made a 977 percent profit off a JTPA training contract. It received \$67,000, spent only \$6,798 to provide training, and used the rest to help finance its move to a larger office. Moreover, the Women's Center did not expand its training program, as it had promised it would in its application for the contract. But the Texas Department of Commerce, which is supposed to oversee JTPA spending in the state, had no complaints; it responded to the inspector general's audit by insisting, "There is never a 'profit' in a nonprofit corporation."(73)

Thanks to JTPA, departments of education and school districts have been able to profit from their failure to educate their students. The Mississippi Department of Education made a 23 percent profit off its 1987 contract to provide remedial education to participants in a JTPA Summer Youth Employment Program (even though it was partly the department's fault that they had learned so little in school); a Fort Worth, Texas, school district had a 41 percent windfall.(74) The profits are large enough to enable some government agencies to finance new office buildings, according to a November 18, 1987, guidance letter by Labor Department assistant secretary Roger Semerad.(75)

Contractors representing politically powerful constituencies have often continued to receive JTPA money no matter how ineffectively they have used it. The Gay and Lesbian Service Center in Los Angeles has been awarded over \$3 million, primarily to match gay job-seekers with gay employers. The center has consistently had difficulty recruiting enough job applicants and meeting other national standards set by the Department of Labor, but it has kept getting JTPA subsidies because the gay community has political clout in Los Angeles.(76)

Among the prime beneficiaries of JTPA have been its staffers, many of whom have apparently spent their time roaming from one JTPA conference to another. "Funds that could have been targeted toward training economically disadvantaged individuals were being spent on meetings and conferences" by the Houston Job Training Partnership Council, the Labor Department's inspector general concluded in 1989. The council spent "\$104,053 in one year alone attending JTPA meetings and conferences."(77)

Statistical Shams

Secretary of Labor Elizabeth Dole recently proclaimed, "We estimate that 68 percent of those who go through JTPA programs are placed in jobs--a record that no other job training program can match."(78) But like the federal job training programs that preceded it, JTPA is hiding its failure to achieve its goals through statistical shams.(79)

The method used to calculate the number of placements varies from PIC to PIC, which makes the national statistics meaningless. And if a person who has spent six months in a JTPA-subsidized training program holds a job for a single day, many of the PICs will claim to have made a placement. In the last few years some PICs have raised their placement standards. In its annual report for 1988, the PIC in Cook County, Illinois, described one of its "major achievements of the year" as follows: "Applied stricter standards for defining employment. Under the new definition, we count no one as employed until they have reported for work at least two days."(80)

In 1986-87 the District of Columbia PIC contracted with Finnie & Associates, which enrolled 501 job-seekers-- including many lawyers, engineers, and others with advanced degrees-- and taught them job search techniques. Only 170 reported getting jobs, a placement rate of 34 percent. But the PIC claimed that the program had a placement rate of 100 percent. How did the PIC achieve a perfect batting record? When the placement rate was calculated, only those enrollees who had "completed training" were counted, and only those who had been placed were declared to have

completed training.(81)

In Indiana, JTPA's placement rates have been padded by counting the employment of people to whom training had been provided before they lost their jobs as placements. The Labor Department's inspector general recently reported that Indiana had adopted a policy that granted eligibility for Title III (dislocated worker) assistance to "anyone who received a lay-off notice or was laid off on or after January 1, 1977. As a result, Indiana enrolled currently employed individuals with family incomes as high as \$75,400 in the JTPA Title III program."(82)

Some PICs have paid employment agencies to place applicants in temporary jobs, then claimed credit for the placements. Considering that most JTPA applicants are high-school graduates and have previous work experience, getting them temporary jobs is no great achievement in any case.

In 1988 the Labor Department's inspector general found that 47 percent of those who had completed JTPA training programs were unemployed four and a half months later, which means that the unemployment rate for JTPA graduates was almost 10 times as high as the rate for all American workers.(83)

The Oregon Consortium, a JTPA job training agency in Portland, claimed that its program had a placement rate of 67 percent. But the inspector general determined that 28 percent of the trainees surveyed had found jobs on their own, so there was no basis for JTPA to claim that it had been responsible for finding them jobs.(84) The inspector general also found that only 23 percent of the JTPA graduates nationwide were employed in the professions for which they had been trained, which means that most of the expense of the training program was a waste. (Many JTPA agencies have not even kept track of whether their trainees received employment in the professions for which they had been trained.)(85)

The Illusion of Progress

JTPA has not boosted the pay of its trainees significantly. Most JTPA graduates earn less than \$5 an hour on their first subsequent job; after adjustment for inflation, that is not as much as CETA graduates earned. In addition, most JTPA trainees held jobs before entering a training program. The Labor Department's inspector general concluded that completion of a JTPA training or job search program had resulted in an increase in pay of only 20 cents an hour for the 50 percent of the trainees that had managed to still be employed 13 weeks later. The hourly wage of workers between the ages of 35 and 44 was 36 cents lower after training, and the hourly wage of workers age 45 and above was \$1.35 lower.(86)

Thus, JTPA has paid about \$6,000 for each lasting placement in order to secure a raise of 20 cents an hour. And even that achievement is minimal, because the tightening labor market, inflation, and young workers' natural tendency to get raises would have resulted in a raise of some amount in any case.

Although JTPA was launched partly in order to help people get off welfare, it has totally failed to reduce welfare dependency among young people and has led to only a 5 percent decrease in welfare dependency among adults, according to the Labor Department's inspector general. In fact, the number of young JTPA clients receiving food stamps and general assistance after training was twice as high as the number receiving them before.(87)

Some JTPA agencies, such as the ones serving Boulder, Colorado, metropolitan Washington, D.C., and Frederick, Maryland, where I attended a training clinic, routinely brief job-seekers on the types of assistance for which they are eligible and the application procedures, thus making it easier for them to rely on the welfare system. A job training program in Fort Worth, Texas, is devoting some of its resources to helping welfare recipients get subsidized housing.(88) Although such efforts are made with the best of intentions, a person who becomes reliant on the welfare system is far less likely to get and hold a job.

The Labor Department's Employment and Training Administration, which administers JTPA, claims to have little or no information on JTPA's local programs. The Freedom of Information Act request that I filed in December 1988 was shuffled from one ETA bureaucrat to another, and the documents that I was finally allowed to view were clearly unrelated to the ones that I had requested.

Amazingly, ETA has shown little interest in honestly evaluating JTPA's results. Almost all of the worthwhile analysis has been done by GAO and the Labor Department's inspector general. In March 1986 GAO warned the Labor Department, "As a result of these different definitions, the data collected will lack consistency and confuse interpretation of program results."(89) In June 1989 GAO complained, "Current evaluation efforts are unlikely to provide meaningful results in the foreseeable future."(90)

In particular, ETA has effectively refused to determine whether JTPA is actually benefiting its trainees, despite having been required to perform such an analysis by the 1982 law that created JTPA. ETA is investigating JTPA participants' pre- and postprogram earnings but insists that the results will not be available until 1993--10 years after the program began.(91) (Major studies of CETA found that its graduates earned less than they would have if they had not participated.)

As part of my recent investigation of JTPA for Reader's Digest, I, along with the magazine's managing editor, William Schulz, interviewed Secretary Dole. Although the failings of JTPA have been documented in great detail by GAO auditors and the Labor Department's inspector general, Dole seemed totally unaware of their major indictments of the program and was unable to discuss its local operations. "It sounds to me as if this may be a better interview for Bob Jones to have," she declared. "He's the assistant secretary for employment training." She assured Schulz and me that Jones would be able to answer any specific questions that she could not.

Repeated requests for an interview with Jones went unanswered. In a note about the interview with Dole sent to Kenneth O. Gilmore, editor in chief of Reader's Digest, the Labor Department stated that a detailed response to the questions raised in the interview was enclosed. But that was not the case.

The Labor Department is launching a major offensive designed to destroy the credibility of my March 1990 Reader's Digest article on JTPA. A confidential March 1990 internal Labor Department memo described that offensive as follows:

This article is an erroneous and misleading account which omits the Labor Department's positive efforts completely. Our primary concern is to protect the JTPA amendments from attack and we are developing a strategy for handling this issue in the following ways: by arranging briefings for key congressional staff members; preparing letters for the Secretary's signature to key Committee members outlining our concerns about the article and providing a balanced view of the situation; special letters are being prepared for the Secretary's signature to Vice President Quayle and Senator Edward Kennedy assuring them that the article is inaccurate and that we are dealing with the issues raised; briefings will be held for public interest groups involved in JTPA; press statement to respond to media inquires [sic] to the Department; and a general response for any public inquiries the Department receives as a result of this article.

The memo attempted to justify many of the contracts and grants awarded by JTPA--and thereby revealed how little the Labor Department is concerned with safeguarding taxpayers' money. It described the JTPA-subsidized trip to Japan taken by a small-town mayor and his son as "an appropriate employment generating activity under JTPA" and added that "the son's expenses were justified because he is fluent in Japanese." The memo also defended a Virginia PIC's expenditure of thousands of dollars to set up a tourist center housed in a historical railroad car, the gay job-matching network run by the Gay and Lesbian Service Center in Los Angeles, and the Marion Barry Youth Leadership Institute's use of JTPA funds to hold classes on "government/politics" in the District of Columbia.

The Government Training Morass

Almost everything that JTPA is doing is also being done by state and other federal programs. The act that created JTPA explicitly prohibited the expenditure of JTPA funds to duplicate services being offered by other government agencies, but the Labor Department has disregarded that provision.(92)

JTPA is part of a morass of federal training and employment programs. The federal government has 45 different training programs (state governments have legions more).(93) It has run over 100 training and employment programs since 1961, most of which were abolished after they became widely recognized as failures.

Unfortunately, there is no easy solution to the failure of federal job training. Training programs that are poor waste taxpayers' money and the trainees' time. Training programs that are relatively effective serve mainly to redistribute unemployment. Dan Fleming, executive director of the Los Angeles County PIC, concluded, "Training meant that one person got a job instead of another, not that jobs or wages increased."⁽⁹⁴⁾ The Job Council of the Ozarks in Springfield, Missouri, sent employers a notice that read, "Cut your labor costs. Before you hire another employee, talk to Job Council of the Ozarks and save thousands of dollars."⁽⁹⁵⁾

There is no shortage of job training in the private sector. The American Society for Training and Development estimated that the private sector spends over \$200 billion a year on training.⁽⁹⁶⁾ The U.S. economy is creating millions of new jobs each year, and employers have a natural interest in training people to fill those jobs. As Charles Murray, the author of *Losing Ground*, observed, "The best job training program is run by an employer who needs to get a job done. That's the one situation where everyone has the maximum incentive to push in the right direction."⁽⁹⁷⁾

In survey after survey, private employers have said that as long as new employees are literate, know how to learn, and have a good work attitude, it is relatively easy to train them. It does not make sense to attempt to remedy the failings of government education programs by means of a government job training program.

There is little hope that either the Labor Department or Congress will somehow acquire the ability to design and manage cost-effective, beneficial training programs. The rational solution is to abolish JTPA. If Congress wishes to retain a federal presence in job training, however, it should take the following steps to improve JTPA:

1. Prohibit JTPA funds from being used to subsidize the relocation of factories under any circumstances. Communities should be forced to stop viewing federal job training money as manna from heaven that enables them to steal jobs from their neighbors.
2. Attempt to prevent JTPA money from serving as a bonanza for private businesses. It is a crime for politicians to shovel tax dollars into the coffers of for-profit enterprises.
3. Enforce the prohibition against JTPA's being used to duplicate the services of other government programs. There is no sense in funding dozens of job training and vocational programs in each state, as federal and state taxpayers are currently doing.
4. Abolish the Summer Youth Employment Program and similar programs. There is no excuse for maintaining federal programs that teach kids how not to work. The nation has a labor shortage, and a vast majority of America's teenagers will be able to find jobs on their own.
5. Order the Employment and Training Administration to undertake a comprehensive and honest evaluation of JTPA's effect on its trainees with as little delay as possible. If JTPA is harming trainees, as CETA did, the sooner the public knows, the less damage the program will do.

Federal job training programs are almost invariably either unnecessary or worthless--the participants are trained for either jobs that the private sector would have trained them for anyway or jobs that don't exist. Such programs have tended to place trainees in low-paying jobs, if any, so their main effect has often been simply to help some disadvantaged people get jobs at the expense of others.

Bad training is worse than no training at all. The federal government cannot create incentives to provide valuable, cost-effective training by doling out billions of dollars. Once the government stops giving the disadvantaged false assurances and false hope, they can begin learning real skills in the private sector.

Footnotes

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