

Employment and Training Programs: Ineffective and Unneeded

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Overview

The federal government provides a wide array of services to unemployed workers. Government offices across the nation offer workers help with job searching, career counseling, and job training. The government spends about \$18 billion a year on these activities, with about half of the spending through Department of Labor programs.

A recent report by the Government Accountability Office (GAO) found that there are 47 different federal employment and training programs, with substantial overlap among them.¹ More important, the report said that "little is known about the effectiveness of employment and training programs we identified."² That is remarkable—taxpayers have been funding these sorts of programs since the 1960s, yet federal auditors still aren't sure whether or not they actually work. Various studies over the years have found that some programs may provide modest benefits, but others show no positive effects.

More fundamentally, federal employment and training programs don't fill any critical economic need that private markets don't already fill. Instead, the federal programs provide an opportunity for policymakers to show that they are "doing something" to help the labor market. To policymakers, federal job training sounds like something that should boost the economy, but five decades of experience indicate otherwise.

Even though millions of Americans have been out of work in recent years, relatively few of them have sought out federal employment and training services. Instead, individuals looking for jobs and training mainly rely on personal connections, the Internet, temporary help agencies, private education firms, and other market institutions.

Congress should terminate federal spending on employment and training services. Such activities provide little practical benefit, are duplicative of private efforts, and are not a proper federal responsibility under the Constitution. Given today's large budget deficits, federal employment and training programs provide good targets for elimination.

Brief History of Jobs Programs

The federal government began major jobs programs and other labor market interventions in the 1930s. President Herbert Hoover created the Reconstruction Finance Corporation in 1932, which was supposed to create jobs by extending billions of dollars of loans to businesses and cities. President Franklin Roosevelt expanded such efforts with an array of New Deal jobs programs, such as those in the Works Progress Administration (WPA). Many New Deal jobs programs became known for their wastefulness, and indeed the word "boondoggle" was coined to describe them. The lazy WPA worker was a pervasive stereotype in the 1930s, and a popular song went, "WPA, WPA, lean on your shovel to pass the time away."³ From the beginning, government employment programs have been known for waste and inefficiency.

The forerunner of today's employment and training legislation was the Wagner-Peyser Act of 1933, which created a nationwide system of employment offices to match workers to jobs. Federal employment and training programs were expanded in the 1960s and 1970s. The Area Redevelopment Act of 1961 provided subsidized training to workers in depressed areas. The Trade Adjustment Assistance Act of 1962 provided subsidies to workers who lost their jobs due to import competition. The Manpower Development and Training Act, also enacted in 1962, aimed to retrain workers displaced as a result of automation.⁴ The Economic Opportunity Act of 1964 created an array of new employment and job training programs, including Job Corps.

The recession of 1971 led to calls for a new WPA-style program to hire unemployed workers for government jobs. That led President Richard Nixon to sign into law the Emergency Employment Act of 1971, which created about 185,000 Public Employment Program (PEP) jobs for two years, mainly in local governments.⁵

In 1973, Congress enacted the Comprehensive Employment and Training Act (CETA), which boosted subsidies for job training programs and extended the funding for direct government jobs. The PEP program was renamed Public Service Employment (PSE), and it handed out billions of dollars through the 1970s to create jobs in state and local governments and nonprofit organizations.⁶ Under President Jimmy

Carter, the federal government was directly funding more than 700,000 PSE jobs annually.⁷

The PSE jobs program was "scandal ridden" throughout its existence, according to *Congressional Quarterly*.⁸ The program led to many "newspaper exposés of local instances of nepotism, favoritism, and other kinds of fraud. Many jobs went to middle-class people instead of the hard-core, low-income unemployed for whom they were intended."⁹

President Ronald Reagan came into office promising to cut wasteful spending, and he succeeded in killing PSE in his first budget, thus ending hundreds of thousands of federally funded jobs. A political aim in pursuing the cuts was to "defund the left," including many of the nonprofit groups and local administrators who had become dependent on PSE funding.¹⁰

Reagan initially tried to kill CETA entirely. However, the nation's unemployment rate was soaring in the early 1980s, and there was pressure on the Reagan administration and Congress to "do something" to help. Despite the lack of evidence that federal job training actually worked, job training would become a key part of the Republican policy response to labor market problems in the years ahead.

The scandal-plagued CETA was replaced in 1982 by the Job Training and Partnership Act, which was championed in Congress by Sen. Dan Quayle (R-IN). President Reagan initially resisted creating a big new program, but he changed course, deciding to tout JTPA when it passed. On signing the bill, Reagan claimed, "this is not another make-work, dead-end bureaucratic boondoggle," but that is more or less what it became.¹¹ Republicans had bashed President Carter over the wasteful PSE program, but now they threw their support behind a new federal program that was just as dubious. One labor expert notes: "From its start, JTPA was plagued by widespread abuse and mismanagement."¹²

JTPA was designed to help poor and unskilled workers improve their employability and increase their wages. Rather than creating government jobs, JTPA put the emphasis on training workers for private-sector jobs. That approach has gained bipartisan support ever since because it is good politics to be seen as helping unemployed workers, no matter the actual program effectiveness.

In 1998, the Workforce Investment Act reorganized federal employment and training programs in an effort to make them more efficient and effective. It built on JTPA and continued the focus on job training. One new feature was the creation of One-Stop Career Centers across the nation, which are supposed to help unemployed workers find jobs and access employment counseling and job training.

In 2011, the Department of Labor's employment and training activities will cost taxpayers \$8.6 billion.¹³ This includes Workforce Investment Act programs, Employment Service programs, Job Corps, Community Service for Older Americans, and Trade Adjustment Assistance. The latter program is discussed in a [related essay linked here](#). As noted, other federal departments run numerous additional job training programs.

The next section reviews some of the research on federal employment and training services and finds that the programs provide only marginal benefits at best. Following this discussion, we examine one reason why federal employment and training programs have little effect on the economy: relatively few U.S. workers actually use them. After that, we discuss how employment and training programs suffer from substantial waste and abuse.

The final section discusses why today's market economy doesn't need federal help in employment services and job training. Individuals have a huge range of opportunities in private markets, and American businesses put an enormous investment of their own into training their workers.

We conclude that federal employment and job training activities should be terminated. The evidence indicates that federal efforts have failed to show a substantial payoff, despite the large taxpayer costs. Besides, in our federal system there is no proper constitutional role for federal involvement in job training and related activities. If state governments want to fund these activities, they may do so. But for the federal government, the best "jobs program" is to enact pro-market policies that encourage entrepreneurship and private business expansion.

Little Evidence of Program Effectiveness

Federal employment and job training programs have long been complex and bureaucratic. In a 2011 study, the Government Accountability Office found that there are 47 different and overlapping programs costing taxpayers \$18 billion a year.¹⁴ The Obama administration has complained of "a complex set of rules and differing requirements and practices across the multiple federal agencies and programs that support job-related services."¹⁵ The head of a workforce board in Cincinnati described the complexity of these government programs to *USA Today*: "Most employers find it incredibly complicated. It's mind-boggling to me, and this has been my profession for the last 12 years."¹⁶

More important than the complexity, there is little evidence that federal employment and training programs actually work very well. The GAO report concluded that "little is known about the effectiveness of employment and training programs we identified."¹⁷ Only 5 of the 47 programs the GAO examined had done detailed impact studies. The GAO found that "the five impact studies generally found that the effects of participation were not consistent across programs, with only some demonstrating positive impacts that tended to be small, inconclusive, or restricted to short-term impacts."¹⁸

One of the few impact studies was for the Workforce Investment Act (WIA) Adult and Dislocated Workers programs. A 2008 study found that the benefits to the unemployed workers participating in the programs were small or nonexistent.¹⁹ There was little difference in employment and wage outcomes between workers that took part in the program and workers who did not.

The GAO has been noting the dearth of positive findings regarding program effectiveness for many years. Back in 1996, the agency noted:

Although the federal government spends billions of dollars annually to support employment training programs, little is known about their long-term effects on participants' earnings and employment rates. Few training programs have been rigorously

evaluated to assess their net impact, and, for those that have, the research results have often been inconclusive.²⁰

The GAO's analysis in 1996 found no statistically significant improvement in wages over the long term from participation in JPTA training programs.²¹ A decade earlier, the prestigious National Research Council came to a similar conclusion regarding federal job training programs for youth.²² Determining the precise effectiveness of such programs may be tricky, but billions of dollars have been spent on these programs year after year since the 1960s. Surely it is time to turn off the funding spigot if the government can't even prove that they work.

The most thorough assessment of federal job training programs was a \$25 million National JTPA study in 1994, which was commissioned by the Department of Labor. It tracked 20,000 people over a four-year period who used various training services, and compared them to control groups who did not.²³ The study found that for most participants, federal programs had no significant benefits. Some subgroups showed modest benefits, such as adult women, but for young people the study found no benefits from the programs. (Labor experts James Heckman and Jeffrey Smith note: "For youth, the record of government training programs for the disadvantaged is almost uniformly negative."²⁴) All in all, the National JTPA study found that the modest benefits of the program were outweighed by the program's costs.²⁵

A 2002 book, *The Job Training Charade*, examines the failures of federal job training programs over the decades. The author, Gordon Lafer of the University of Oregon, is very liberal in his politics, which is interesting because usually such researchers would be supportive of federal subsidies. But based on his detailed review, he finds that federal job training programs have provided very small or insignificant benefits.²⁶ He argues that these programs exist for political reasons alone. Politicians have championed these programs in order to be seen as "doing something" to help workers, and whether they actually work or not is less important.

Lafer argues that "as successive generations of job training programs fail to produce the hoped for results, policymakers have cycled through a stock repertoire of procedural fixes that promise to solve the problem."²⁷ CETA was supposed to fix problems of the 1960's training programs. JTPA was supposed to fix CETA, and the WIA was supposed to fix JTPA. Lafer notes that "repeated reports of [JTPA's] failure seem to have little impact on its political popularity... JTPA was succeeded by the Workforce Investment Act which . . . largely repeats the same strategies found to have failed under JTPA."²⁸ Job training legislation is little more than "political symbolism," he says.

Raw earnings data is sometimes used to examine the possible benefits of federal employment and training programs. The Department of Labor collects earnings data of individuals before and after they use its workforce programs. In some years, workers who took part in these programs earned a bit more following participation, on average, and in other years they ended up actually earning less, including every year from 2006 to 2009. For example, workers earned an average \$1,208 less after participating in programs in 2009.²⁹

Other Department of Labor data look at the average earnings of people who have received WIA-adult services. The data compare a subset of those people who took job training to those who did not. In 2008, for example, those who took training earned an average of \$615 more over a six-month period than those who did not, as shown in Table 1.³⁰ That appears to be a positive result, but a detailed impact study with various experimental controls would be needed to make firm conclusions. Also, these are just possible short-term effects, which may not last over the longer term. Either way, the table shows that the apparent gains from training have fallen in recent years.

Table 1. Six-Month Average Wages, with and without Federal Training

	2004	2005	2006	2007	2008
Training	\$11,871	\$12,123	\$13,367	\$14,771	\$15,324
No Training	\$10,506	\$10,220	\$10,538	\$13,704	\$14,709
Difference	\$1,365	\$1,903	\$2,829	\$1,067	\$615

Even if one believes that the government ought to be in the job training business, and that such training boosts earnings, it still wouldn't be clear that training made overall economic sense. That's because the cost to taxpayers of WIA-adults who take training is about \$4,000 per participant, according to the GAO.³¹ In addition, when that \$4,000 is extracted from families by taxation, it creates further economic damage called "deadweight losses." In sum, there does not appear to be any good evidence that federal training programs generate returns large enough to cover the costs.

Few Users of Federal Services

One way to judge the usefulness of federal government employment and training services is to look at the demand. Are many unemployed Americans using the job search and training services provided by the Department of Labor?

The department funds nearly 3,000 One-Stop Career Centers across the nation, which provide access to various employment and training services. The government reports that about 2.5 million people are served annually by these centers. That sounds like a lot, but it works out to just 833 people per center per year, or just over 3 people per center per workday! Thus, the government is paying for the rent and the staffing of these centers even though there are few "customers."

Government officials try to put the low demand for its services in the best light. The Department of Labor claims that 6.7 million people used its WIA-adult services in 2010.³² Yet a different report says that 1.1 million exited WIA-adult programs during a similar period.³³ Why is there a yawning gap between those statistics? It turns out that the higher number includes people who "received only self- and informational services."³⁴ A few years ago, administrators were directed to include individuals who opted for self-service to beef up the reported data for those being "served." But really only about 1.1 million receive staff-assisted services, such as job search aid and career counseling.

Of the 1.1 million who used any staff-assisted service, only about 130,000 WIA-adults used federal training services.³⁵ Let's put these numbers in context. The U.S. workforce exceeds 150 million people, and in recent years, there have been as many as 15 million unemployed persons. Thus, less than 10 percent of unemployed workers have received a WIA-adult service in recent years, and less than 1

percent have enrolled in a Department of Labor training program.

Rather than using federal programs, most unemployed Americans search for jobs on the Internet, respond to ads, send out resumes, and network with friends and colleagues. Many seek temporary or contract employment through private staffing agencies. The staffing industry reports hiring 8.6 million people a year, a far larger number than those helped through the WIA-adult program.³⁶

When it comes to job training, Americans participate in a wide range of private sector options. Many people take night classes through their local school systems and community colleges without help from federal training programs. America's community colleges award more than 900,000 degrees or certificates each academic year, and less than half of those students even receive any financial aid.³⁷ Staffing company Manpower Inc. says it alone trains 250,000 people each year worldwide, much more than the WIA-adult program.³⁸

The federal Trade Adjustment Assistance (TAA) program is also subject to a lack of participation. According to a Mathematica study, just half of those eligible for TAA chose to take part.³⁹ And among TAA participants, only about 60 percent choose to receive any training, and recently that figure is down to just over 40 percent. The most common reason given to Mathematica researchers by TAA participants for not enrolling in training was simply that they weren't interested.

Another indicator of the low demand for federal employment and training programs is that a sizable share of the funding allocated by Congress isn't spent. About 20 percent of funds doled out to the states for the WIA-adult program are typically left unused.⁴⁰ There are three separate WIA programs, and combined they leave about \$1 billion in funds on the table every year.⁴¹ There is a similar pattern of unspent funds in the TAA training program.

Given that state governments and individuals usually grab all the federal subsidies they can, the fact that job training funds go unused tells us how unneeded they are. Further evidence comes from looking at enrollment in these programs over time. Even as the U.S. unemployment rate soared in 2008, the share of WIA-adults who opted to take part in government training plunged to just 11 percent.⁴²

The only aspect of federal employment and training services that garner substantial use from the public are the federal Internet sites, which garner about 9 million visits a year.⁴³ But that just points to the reality that the Internet dominates job searches for most workers today, and there isn't a role anymore for an expensive government bureaucracy with a huge office network and staffing structure.

Waste and Abuse in Jobs Programs

In 2011 Sen. Tom Coburn (R-OK) released a report on waste, fraud, and abuse in federal employment and job training programs.⁴⁴ The report provides detailed examples of administrators spending funds on items such as excessive salaries and perks. A common problem is that when federal money gets sent down to local employment agencies and private contractors, there is little incentive for efficiency and few restraints on spending abuses.

The following are some examples of waste in recent years from the Coburn study:

- A West Virginia criminal was the primary beneficiary of \$100,000 in federal job training funds, which he used for luxury hotel stays and other excesses. The state official who awarded the grant funding turned out to be the criminal's mother.
- A Tampa Bay government agency spent tens of thousands of dollars of federal job training funds on disallowed expenses such as free lunches, hotels, flowers, event tickets, and other perks for managers.
- Federally funded trainees hired by San Francisco's transit authority spent months doing no work because hostile union members at the agency sidelined them.
- Portage County, Ohio, job training officials blew more than \$700,000 on all kinds of unauthorized and frivolous items.
- The CEO of an Iowa training firm funded by federal dollars was thrown in jail for 84 months for essentially stealing \$1.8 million, which she paid to herself and her top aides.
- A Montana trade union misspent \$1.1 million in federal training grants. An audit found that for every dollar the union spent on helping displaced workers, it spent four dollars on its own staff salaries and perks.

This sort of waste in federal job training and employment programs has been ongoing for decades. Local administrators of these programs have been known to inflate program accomplishments, overcharge the taxpayer for superficial services, and divert funds to illegitimate purposes.⁴⁵ Gordon Lafer notes that "from its beginning, the operation of JTPA was marked by a level of inefficiency and abuse so blatant and so long ignored, as to suggest that the government was not primarily interested in whether or not the program succeeded."⁴⁶ When they support subsidy programs, politicians always claim that they are helping society, but they don't have much incentive to make sure programs aren't wasteful or ineffective.

Auditors catch some of the sorts of waste exposed by Senator Coburn, but federal taxpayer money is never efficiently spent when it gets thrown out the door in hundreds of subsidy programs to thousands of state and local governments.⁴⁷ State and local governments consider the federal money "free," and they have little incentive to spend it wisely.

Another problem with doling out federal subsidies to the states is the huge bureaucratic apparatus involved. At the federal level, for example, there are more than 750 well-paid employees in Department of Labor's Employment and Training Administration (ETA). Or consider this taxpayer expense—the ETA spends about \$100 million a year on various research studies and evaluations.⁴⁸

At the state and local levels, federal subsidy programs require a huge apparatus of administrators to follow all the federal regulations and write all the required reports to the federal government. For example, each state must prepare a massive annual "strategic plan" to the Department of Labor in order to receive its Workforce Investment Act funding. These reports, which can be examined at www.doleta.gov/usworkforce/wia, are often more than a hundred pages in length. One can imagine how many administrators in each state are needed to compile these reports every year.

In sum, even if employment services and job training were proper government roles, and even if such programs could be made effective,

the proper place to fund and operate them would be at the state and local levels, not the federal level.

Market Solutions Abound

Government employment and training programs are less and less relevant in the modern economy. Today's economy includes thousands of firms offering services such as headhunting, career counseling, life coaching, executive recruiting, resume writing, outplacement, and temporary help. There are many career fairs and networking organizations to help people find jobs. Manpower Inc. placed 3.5 million people in temporary and permanent jobs in 2010 across the globe.⁴⁹ These sorts of employment firms usually offer free training to their workers.⁵⁰

The Internet has grown to dominate job searches. On the Web, people can directly find companies that are hiring, and they can use numerous job search sites, such as Monster.com, Careerbuilder.com, and Jobster.com. In addition, there are thousands of occupational or industry-specific job boards, alumni associations, fraternal organizations, and other groups on the Internet that can help with job searching.

In 2011, "a massive network of employment websites" was launched where any company can list job openings for free.⁵¹ The network includes 40,000 websites, which all have URLs that end in "jobs." The project is being backed by 600 large corporations, such as Google and IBM. The idea is to make job searches even simpler—for example, a nurse would go to www.nurse.jobs to see what is available in that occupation. This development could further transform Internet job searching.

In 2010, the Department of Labor announced the results of its "Tools for America's Job Seekers Challenge," which lists the public's most recommended job websites. Of the top 10 sites, nine were private and only one was a government site. The press release noted, "The Labor Department's national network of nearly 3,000 One-Stop Career Centers played a critical role in connecting job seekers with the challenge and will continue to refer clients to its site."⁵² Apparently one purpose of the department's 3,000 bricks-and-mortar offices is simply to send people to the federal website.

Another development is the soaring popularity of adult education courses. Since the 1940s, the number of community colleges has exploded from fewer than 100 to more than 1,100.⁵³ Enrollment in these colleges is now more than 12 million a year.⁵⁴ One sees advertisements everywhere for various types of private training and education.

The Internet and other technologies are also revolutionizing training. Old-fashioned teacher-led courses in classrooms are being replaced by workstation units of learning delivered at the student's chosen pace. Training and education by DVDs or through Internet sites has surged. The number of students who have taken at least one online class at a degree-granting institution of higher learning has grown from 1.6 million in 2002 to nearly 5.6 million in 2009.⁵⁵ The latter figure translates into 29 percent of higher education students.

Finally, the Department of Labor's spending on employment and training not only lacks in effectiveness, but it is also dwarfed by the private sector's investment in workplace training. According to the American Society for Training and Development, U.S. organizations spent \$126 billion on employee learning and development in 2009.⁵⁶

Private training is likely to be more effective than government-sponsored training for a number of reasons. Business-led training is dictated by the real-world needs of workplaces and industries. It is driven by on-the-ground demand rather than by policy choices in Washington. Also, business managers are responsible for workplace results and the bottom line, and so they will adjust training decisions based on real economic needs. By contrast, civil servants are a few steps removed from the realities of production and competition in the marketplace. Private decisionmakers will dispose of ineffectual training approaches quickly, but federal programs favoring a failed approach may last for decades.

In conclusion, federal employment and training programs don't fill any critical need that private markets can't fill. Policymakers support these programs because they want to help workers and the economy, but decades of experience indicate that the programs don't offer any substantial benefits. Given today's large budget deficits, federal employment and training programs provide an obvious target for elimination.

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