

Hispanic Underrepresentation  
In the Job Training  
Partnership Act

FALLING  
THROUGH  
THE  
CRACKS

Policy  
Analysis  
Center



National  
Council of  
La Raza

## **THE NATIONAL COUNCIL OF LA RAZA**

The National Council of La Raza exists to improve life opportunities for the more than 20 million Americans of Hispanic descent. A nonprofit, tax-exempt organization incorporated in Arizona in 1968, the Council serves as an umbrella organization for its local "affiliates" -- Hispanic community-based groups which serve 32 states, Puerto Rico, and the District of Columbia -- and for other local Hispanic organizations nationwide. In addition to its Washington, D.C. headquarters, the Council maintains field offices in Los Angeles, Phoenix, and McAllen, Texas.

The Council has four major program focuses: applied research, policy analysis and advocacy on behalf of all Hispanic Americans, carried out through the Policy Analysis Center; capacity-building assistance to Hispanic organizations, entrepreneurs, and public officials, to strengthen their self-help and human service efforts and help them meet the needs of their communities; public information activities designed to inform Hispanic communities and the general American public about Hispanic history and culture, contributions, status and needs; and catalytic special projects, including coalition efforts and innovative projects which can often be "spun off" to become independent entities.



**OFFICE OF RESEARCH  
ADVOCACY AND LEGISLATION**

**FALLING THROUGH THE CRACKS:**

**Hispanic Underrepresentation  
in the Job Training Partnership Act**

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**February, 1989**

## ACKNOWLEDGMENTS

"Falling Through the Cracks: Hispanic Underrepresentation in the Job Training Partnership Act" was prepared by the employment and training component of the Policy Analysis Center under the general supervision of Charles Kamasaki, Acting Vice President for Research Advocacy and Legislation (ORAL). Emily Gantz McKay, former Vice President of ORAL and currently a consultant, edited an early draft of the report and provided invaluable comments and suggestions on its content. Cristina Lopez and Emelda Valadez assisted in proofreading the final draft of the report. Michelle Waldron, the Center's Administrative Assistant, provided technical support. Tom Sharpe, the Council's Director of Public Information, assisted with the cover layout and printing of the report.

Special thanks to Lexicon Graphics of Washington, D.C. for typesetting services and to The Equitable Financial Companies for printing the report.

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## EXECUTIVE SUMMARY

Hispanics are severely underrepresented in Job Training Partnership Act (JTPA) programs, the most recent federal response to the employment and training needs of unemployed Americans. Hispanics have been "falling through the cracks" of the JTPA system since its inception in 1983, although they are likely to need JTPA services due to persistently high rates of unemployment and other traits including high rates of functional illiteracy, high dropout rates, and limited job skills that typify hard-to-serve groups.

This report reviews some key demographic characteristics of Hispanics and their labor force implications, summarizes Hispanic employment and training needs and examines JTPA's legislative and administrative framework to evaluate its performance in meeting employment and training needs generally. The report ends with a comprehensive set of recommendations to improve services to Hispanics and other hard-to-serve groups.

Some of the report's key findings include:

- . Hispanic participation in JTPA has been lower compared to previous federal training programs including some predating its predecessor, the Comprehensive Employment and Training Act.
- . The level of Hispanic underrepresentation in JTPA translates into an estimated 15,000 eligible Hispanics annually who should be -- but are not -- served by JTPA.
- . Unemployed Hispanic males are underrepresented in JTPA by a margin of nearly 27%.
- . Hispanic dropouts are underrepresented by more than one-third of the JTPA eligible dropout population.
- . Hispanics who have participated in JTPA are proportionately in these programs for shorter periods of time, implying that Hispanics receive fewer and less effective services.
- . When Hispanic participants are placed in jobs, they average slightly lower wages compared to other JTPA participants.
- . At least one in four Hispanics who receive JTPA services do not find jobs when they leave the program compared to one in five Whites.

The National Council of La Raza concludes that five factors have contributed to JTPA's underrepresentation of Hispanics; these include (1) the structure of the performance standards system that does not provide adequate incentives to train the hard-to-serve groups; (2) the reduced role of community-based organizations in policy decisions and service delivery; (3) the extensive influence of the business community in the Private Industry Councils (PICs) in selecting job ready clients and services to them; (4) the very limited availability of supportive services for participants; and (5) the major role of the states in determining whether and to what extent the hard-to-serve will be targeted.

Improved services to Hispanics and other hard-to-serve groups will require a number of legislative and administrative measures at the federal, state and local level. Essential to the task is an unwavering commitment of the Congress and Department of Labor to improve services to these target groups. The report offers the following recommendations:

**The established national performance system must be changed to provide adequate incentives to reach hard-to-serve groups. The current system rewards short-term training and placement, which is inadequate for many Hispanics and other hard-to-reach groups who require longer training periods and more intensive services.**

**Funding restrictions for supportive services must be removed. A higher proportion of JTPA funds must be targeted to supportive services. The CETA experience suggests that harder to reach clients are likely to enroll and complete training if supportive services are available in either the form of stipends, child care or transportation.**

**Congress must mandate the participation of community-based organizations (CBOs) in service delivery and training policy decision-making within the Private Industry Councils (PICs). Historically, CBOs serving Hispanics have played a key role in outreach and other vital services.**

**A responsive incentives and sanctions policy must be designed, implemented and enforced to assure that targeted hard-to-serve group needs are being met adequately.**

**Service "mix" and instructional approaches must be modified to address the needs of Hispanics and others who are limited-English proficient. Training objectives must be set to accommodate state of the art English language training that can be integrated with skills training.**

**Restrictions on the collection and dissemination of pertinent data must be lifted. Data gathering must include competencies gained from training; cost data on participants according to activity and duration of services; characteristics of participants who receive supportive services and stipends, or leave the program and the reasons for their attrition.**



**Finally, increased and better targeted funding to meet the additional training needs of the hard-to-serve will be required.**

Unless employment and training services provided to Hispanics and other hard-to-reach groups are greatly improved in the next decade, the nation will face the prospect of a poorly trained work force unable to meet the challenges of an increasingly technological society. If we invest now, the nation can reap the benefits of a productive workforce; if we do not act now, we risk more Americans "falling through the cracks".

## I. INTRODUCTION

Hispanics have been "falling through the cracks" of the employment and training system created by the Job Training Partnership Act (JTPA). Although JTPA was aimed at assisting economically disadvantaged Americans who had lost or could not find jobs, Hispanics and other hard-to-serve groups -- who in this decade have persistently faced serious barriers to employment including limited education and inadequate job skills -- have been generally underrepresented in JTPA since the program began in 1983.

This report investigates the problem of Hispanic underrepresentation in JTPA by scrutinizing the statute's legislative and administrative framework for an explanation of this inequity affecting Hispanics. The report reviews the demographics of the Hispanic population and their labor force implications, summarizes Hispanic training and employment needs, and examines the federal response through JTPA. The analysis focuses on the extent to which JTPA's structure, priorities, procedures, and funding enable it to fulfill its mandate to target resources on the "hard-to-serve" -- those who would be least likely to find self-supporting jobs on their own -- and evaluates its performance in meeting employment and training needs generally. The report ends with a comprehensive set of recommendations directed to the Congress, Department of Labor and the States to improve services to Hispanics and other hard-to-serve groups.

## II. HISPANIC DEMOGRAPHICS AND THEIR LABOR FORCE IMPLICATIONS

Hispanic Americans represent a large and growing proportion of the U.S. population -- and an even-faster growing proportion of the nation's work force.

Hispanics differ from other American subgroups in ways which will have significant impact on the labor force of the 21st century, and they also have certain characteristics which imply specific employment and training needs. If employment and training policies and programs are to be effective in preparing Hispanics for full participation in the labor force, they must recognize and respond to these characteristics.

Among the Hispanic demographic and economic characteristics which are most relevant for employment and training policies are their increasing numbers, young age, relatively high proportion of immigrants, geographical concentration in certain areas, high rates of labor force participation but similarly high rates of unemployment and underemployment, their low educational attainment, low earnings, and high poverty rates.<sup>1</sup>

## **A. Population Overview**

Hispanics are the fastest growing major U.S. subpopulation. As of March 1988, the U.S. mainland Hispanic population totaled 19.4 million, or 8.1% of the total U.S. population. Between 1980 and 1988, the Hispanic population increased more than one-third, nearly five times as fast as the non-Hispanic population. By the year 2000, Hispanics are expected to comprise 9.4% of the total population.<sup>2</sup>

In an aging society, Hispanics are the youngest major U.S. subpopulation; their median age is less than 26 years, compared to 32 for the general population. Less than 5% of Hispanics are 65 or over, compared to 12% of the general population.

About 70% of Hispanics are native-born compared to nearly 94% of the overall population. Both immigrant and native-born Hispanics are sometimes limited English-proficient, which constitutes a major barrier to employment.<sup>3</sup>

Hispanics are a rapidly growing proportion of the work force. Currently, they comprise 7% of the nation's work force or 8.6 million workers. Hispanics are projected to account for 8-10% of the work force by 1995.<sup>4</sup> Three-fourths of working age Hispanics live in Texas, California, New York, Florida and Illinois. Hispanics comprise at least one-fifth of the labor forces in Texas and California.

A significant proportion of Hispanics are poor. As of 1987, 28.2% of Hispanics were below the poverty level compared to 10.5% of Whites and 33.1% of Blacks. Poverty rates vary among Hispanics. The poverty rate for Mexican Americans has increased sharply between 1978 and 1987, from 20.6% to 28.3%. The poverty rate for Puerto Ricans in the 50 states and the District of Columbia was 40.3 percent in 1987. While this was similar to the Puerto Rican poverty rate in 1978, it remains the highest poverty rate for any racial or ethnic group in the country.<sup>5</sup>

Poverty rates are even higher among Hispanics without a high school diploma. In 1987, 36% of Hispanic adults (25 and over), and 33% of Hispanic family heads who had not completed high school were poor. Among Hispanic groups, over half of all Puerto Rican families and one-third of all Mexican-American families, headed by a non-high school graduate, lived below the poverty level in 1987.

## **B. Hispanic Labor Market Patterns**

Hispanic men have a high labor force participation rate and they are more likely than Blacks or Whites to be working or seeking work. Hispanic women, however, are less likely to be in the labor force but their labor force participation rate is growing rapidly. In 1986, 81% of Hispanic males were in jobs or seeking work compared to 77% of White males and 71% of Black males. Hispanic women by contrast had a lower labor force participation rate of 53% which was still lower than the 58% rate for Black women and 56% for White women.<sup>6</sup>

Employed Hispanics are disproportionately represented in low-pay, low-skill occupations and average lower earnings compared to both Blacks and Whites. In 1987, half of Hispanic families with both spouses working had a weekly income of \$627 or less compared to \$666 or less for Black families and \$820 for White families.<sup>7</sup>

Working Hispanics are overrepresented in industries with declining employment. About one-third of all employed Hispanics, compared to one-fifth of all employed workers, are in agriculture, mining, manufacturing and in services (private households).<sup>8</sup>

Hispanics also have the highest rates of worker displacement of any major population. Hispanics were 23% more likely than Whites to lose their jobs through plant closings between 1981 and 1985. During the same period Hispanics were 39% more likely than Whites to have had no job since being displaced.<sup>9</sup>

Hispanics are also more likely than Whites to be unemployed, in both good and bad economic times -- and the unemployment rate gap is not narrowing. In 1987, during a period of moderate economic expansion and low overall unemployment, the Hispanic unemployment rate was 66% higher than the White rate. In 1982, during a severe recession, it was 60% higher; Hispanic unemployment stood at 13.8% compared to 8.6% for Whites.<sup>10</sup> However, Hispanic workers are less likely than Blacks to be unemployed; the Black unemployment rate tends to remain at least double the White rate.

### **C. Factors Affecting Employment Status**

Several factors contribute to the poor employment status of Hispanics; perhaps the most important is inadequate education. Some of the ramifications of inadequate schooling for Hispanics are high rates of functional illiteracy and limited English proficiency which pose barriers to employment.

Hispanics have the lowest educational attainment levels of any major U.S. subpopulation; only half of Hispanics 25 and over are high school graduates. Hispanic dropouts are more likely than Whites or Blacks to have left school before the ninth grade. Among Hispanic adults, Mexican-Americans are more likely to have less schooling. In 1987, 15.4% of Mexican-Americans 25 years and over had less than five years of school compared to 10.6% of Puerto Ricans and 5.5% of Cubans, Central and South American, and other Hispanics.<sup>11</sup>

Illiteracy rates among Hispanics are disproportionately high. Depending upon the measure used, up to 56% of Hispanics 25 and over can be considered functionally illiterate; Hispanics have higher rates of illiteracy than either Blacks or Whites. A significant proportion of Hispanics are limited-English proficient. As of the 1980 Census, 11 million people in the United States lived in homes in which Spanish was spoken. One-fourth of the Spanish speakers surveyed by the Census reported that they did not speak English well or at all.<sup>12</sup>

All these demographic and economic data demonstrate that unemployed Hispanics have a legitimate claim to federal employment and training services, such as those provided under JTPA. They also suggest some special targeting concerns, such as the importance of reaching dropouts, youth, and displaced workers, and some service needs, such as education, English-as-a-Second Language instruction, and skill training. These needs have been met in varying degrees over the years, by federal employment and training efforts.

### III. THE FEDERAL RESPONSE TO HISPANIC EMPLOYMENT AND TRAINING NEEDS

#### A. Background

The federal government has adopted various approaches to addressing the employment and training needs of disadvantaged Americans.<sup>13</sup> Current efforts have their origins in the 1960s; since that time, federal employment and training programs have focused on four central issues:

- . Targeting populations that encounter difficulties in the labor market;
- . Providing appropriate interventions, such as classroom training, on-the-job training (OJT), and public service employment;
- . Administering centralized or decentralized programs; and
- . Determining the level of dollar investment.

The first major federal effort, the Manpower Development and Training Act (MDTA), was a centralized program enacted in 1962. It emphasized vocational training to workers displaced by automation. In 1964, categorical employment and training programs for low-income youth and adults were initiated as a part of the federal anti-poverty legislation, the Economic Opportunity Act (EOA). These programs were modified several times. In the late 1960s, MDTA and EOA together had annual expenditures of about \$1.5 billion. Hispanics represented 12.0% of employment and training program participants between 1968 and 1973.

In 1973, Congress replaced these employment and training efforts with the Comprehensive Employment and Training Act (CETA), which was designed to consolidate federally supported employment activities and to establish a single administrative framework. Designed to respond to the problems of cyclical and structural unemployment, CETA initially used a highly decentralized approach which shifted responsibility from the federal government to state and local authorities including local "prime sponsors."

CETA was amended repeatedly. An extensive public service employment component was enacted to counter the effects of the 1974-75

recession. By 1978, amendments had been enacted to provide for increased accountability, strengthened targeting on the disadvantaged, greatly increased private-sector involvement, and a major youth component. Funding grew from \$2.7 billion in Fiscal Year 1973 to \$10.3 billion in Fiscal Year 1979. The participation of Hispanics in the major employment and training titles of CETA was initially below MDTA/EOA levels but grew steadily and stood at 12.9% during fiscal years 1979, 1980 and 1981.

When President Ronald Reagan took office in 1981, a new approach to employment and training was launched as part of his administration's "New Federalism" initiative. It called for the elimination of public service "jobs" programs, decreased federal funding levels of \$1.8 billion annually for employment and training programs, increased emphasis on the private sector and increased emphasis on the performance of the programs. The Job Training Partnership Act (JTPA) replaced CETA in 1982; it was designed as a decentralized program with most decision making delegated to the states and to local Private Industry Councils (PICs). JTPA's stated target groups were the same as for CETA -- low-income and long-term unemployed adults and youth. Findings indicate that JTPA differs from CETA in several major ways.

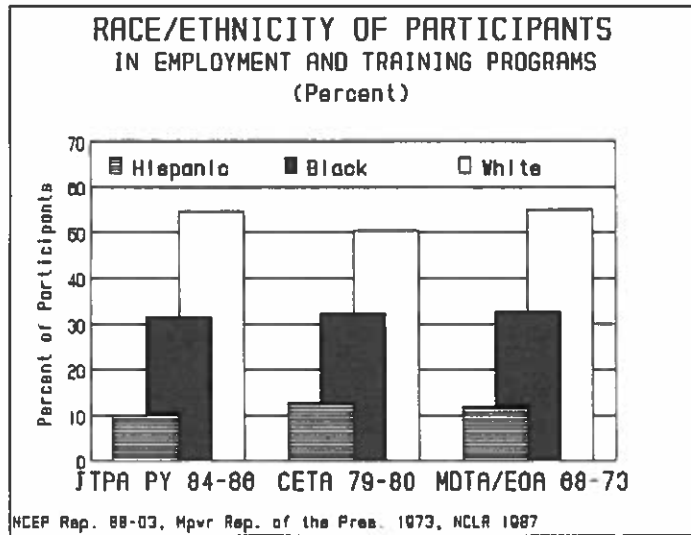
- . Direct-placement and short-term training leading to the selection of "job-ready" clients -- high school graduates requiring additional skills training -- became a principal focus in JTPA;
- . Basic education and English language instruction, among several of CETA training services, were curtailed under JTPA;
- . Work experience was cut back by as much as 95% under JTPA and supportive services were capped;
- . OJT was more heavily emphasized compared to CETA; and
- . Public service employment was eliminated under JTPA.

These characteristics of JTPA have had significant impact in the level of Hispanic participation in and benefits from the program.

#### **B. Hispanic Participation in JTPA**

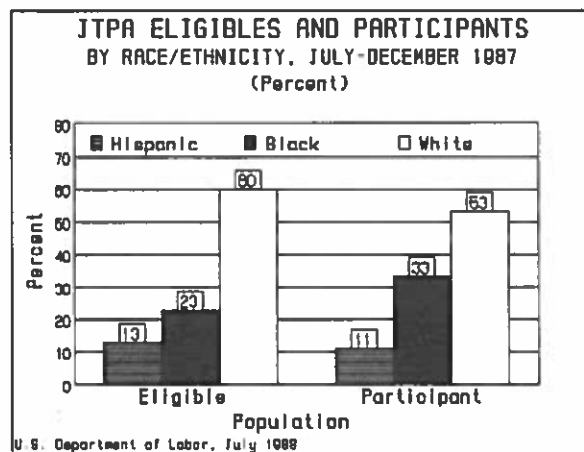
Hispanic participation in JTPA has been lower than in MDTA/EOA or CETA (See Figure 1). Although almost all Hispanic subgroups are underrepresented in JTPA, the underrepresentation is especially severe among unemployed Hispanic men. While recent data from the Department of Labor's Job Training Quarterly Survey suggest some improvement of Hispanic participation; the gap between the proportion of eligible Hispanics and the proportion of Hispanic participants has not narrowed substantially.

FIGURE 1



Hispanic participation in JTPA is below what would be required for equitable participation -- that is, for Hispanic JTPA participants to be the same proportion as they are of the JTPA-eligible population. At current funding levels, about 15,000 more Hispanics should be participating in the JTPA system each year. The proportion of JTPA participants who were Hispanic for the period July through December of 1987 (11.0%) shows a slight improvement over the comparable period in 1986 (10.1%). It is too early, however, to know with certainty whether this increase represents the start of a new trend or is simply a temporary fluctuation. Figure 2 shows the percentages of JTPA-eligibles who are Hispanic, White, and Black, and compares these figures with those of actual participants.

FIGURE 2

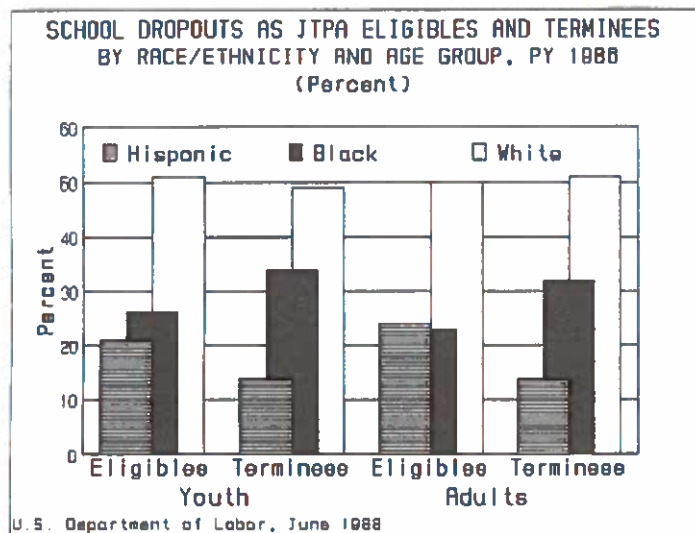


During Program Years 1984 and 1985, both Hispanic men and women were underrepresented in JTPA, but Hispanic males were the most severely

underrepresented group among unemployed participants. The data show that 15% of unemployed Hispanic men were eligible for services, but only 11% participated in JTPA programs and thus were underrepresented by 26.6%. Unemployed Hispanic women fared better and comprised 10.3% of the eligible population and participated at a rate of 10.7%. The relatively lower underrepresentation of Hispanic women generally in JTPA was due to the lack of participation among those who were employed or not in the labor force. The underrepresentation of Hispanic men is unclear, however, and merits further study.

DOL data also reveal that JTPA is not effective in reaching Hispanic dropouts, whether they are youth or adults. Services to dropouts -- youth and adults -- are particularly important to Hispanics who have the highest dropout rate of any major subpopulation. Figure 3 shows Hispanics comprise 21% of the eligible population of youth dropouts, but 14% of those who successfully complete JTPA. Hispanic adult dropouts are 24% of the eligible population of dropouts but only 14% of those who successfully complete the program. Hispanic dropouts are underrepresented by more than one-third -- a proportion of eligible adults and youth who are not being served by JTPA.

FIGURE 3



Although youth constitute a high proportion of JTPA participants, the program has had difficulty in reaching youth who are dropouts. Youth are overrepresented as JTPA participants; they constitute 40% of all participants, but only 18% of the JTPA-eligible population.<sup>14</sup> This concentration reflects JTPA's requirement that local programs spend 40% of their funds on youth. However, two of every three JTPA youth participants are either currently enrolled in school or are high school graduates.



While a sizeable minority of Hispanics are limited-English proficient (LEP), Hispanics and other LEP groups comprise fewer than 5.0% of JTPA enrollments and 3.0% of those who complete training. The vast majority of the limited-English-proficient participants are at least 21 years of age; nearly half are high school graduates and about half are Hispanic. Thus, JTPA appears to be providing minimal services to young school dropouts with limited-English proficiency, a group likely to face major employment barriers.

The demographic characteristics of Hispanics suggest a need to target Hispanic youth and dropouts and those who are limited-English proficient. Although Hispanic women are being enrolled in JTPA programs, targeting efforts should focus on female heads of household since they occupy a marginal position in the labor market and are more likely to have families living in poverty. They have the lowest labor force participation rates of all women and the lowest median weekly earnings of all workers in the labor force.

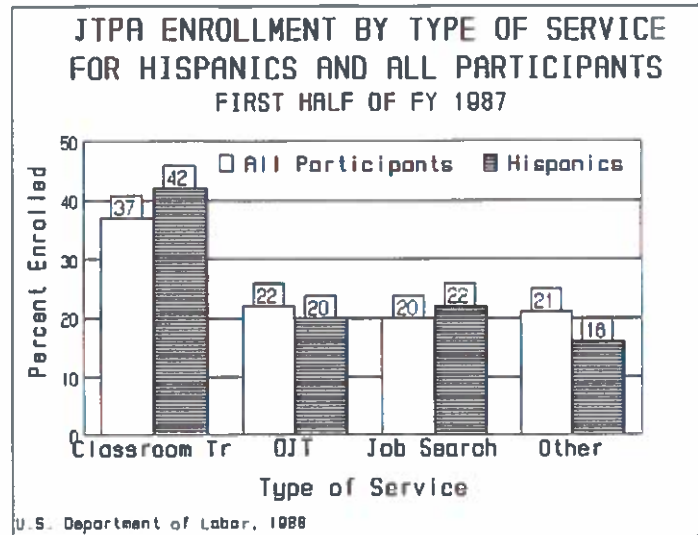
### **C. JTPA Services to Hispanic Participants**

The extent to which JTPA is equitably and effectively serving Hispanics depends not only upon their participation rate in the program but also on the activities to which they are assigned, the quality of services received and on program outcomes. Available information indicates that although their needs differ from non-Hispanic participants, Hispanics are enrolled in the various training programs -- classroom training (CT), on-the-job training (OJT), job search assistance (JSA), and other activities including work experience -- in proportions similar to those of all participants. Their wage rates at placement indicate that the type and quality of services provided do not qualify them for better-skilled, higher-wage jobs.

The extent to which training programs contribute to increases in earnings depends upon the type of assistance participants receive, the duration of program services, and the quality of services provided. The CETA experience, as documented in the Continuous Longitudinal Manpower Survey (CLMS), showed that classroom training returned an estimated \$1.38 in benefits to the individual for each dollar invested, while the payoff from on-the-job training was substantially greater. More importantly, the CLMS data showed that earnings gains increased the longer a person spent in a program (average duration of training in CETA was 18 weeks); and the more disadvantaged the individual, the greater the net impact on earnings.

Figure 4 shows that the proportion of Hispanic enrollments among training activities to which they are initially assigned varies.

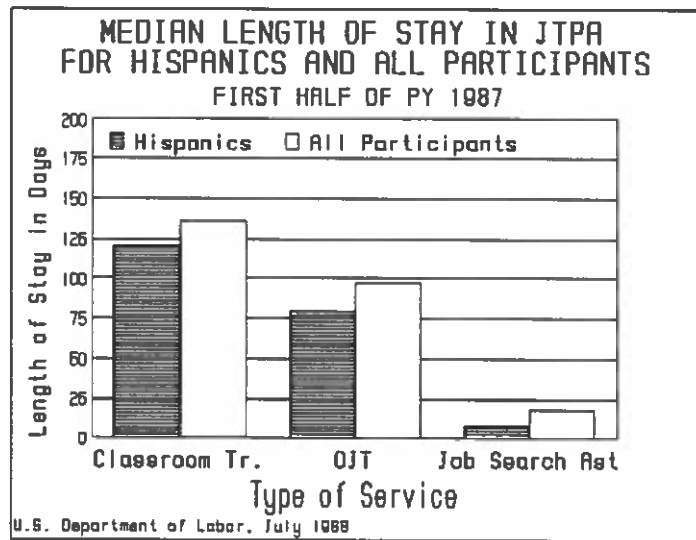
FIGURE 4



Hispanics are slightly overrepresented in classroom training and JSA and underrepresented in OJT and "other" activities such as work experience and counseling. The higher proportion in classroom training is consistent with their multiple needs. Depending on the need, classroom training should be the first priority assignment for most hard-to-serve Hispanics. Data are not available to indicate the competencies gained in training or to show whether individuals remain in the training activity to which they were first assigned or whether they are offered other services. The average duration of training in JTPA of 13.5 weeks, however, suggests that these activities generally are not sequenced (trainees do not move from classroom training to OJT, for example). Since hard-to-serve persons have multiple training needs, the inability of the JTPA system to sequence activities and services, presents a serious shortcoming.

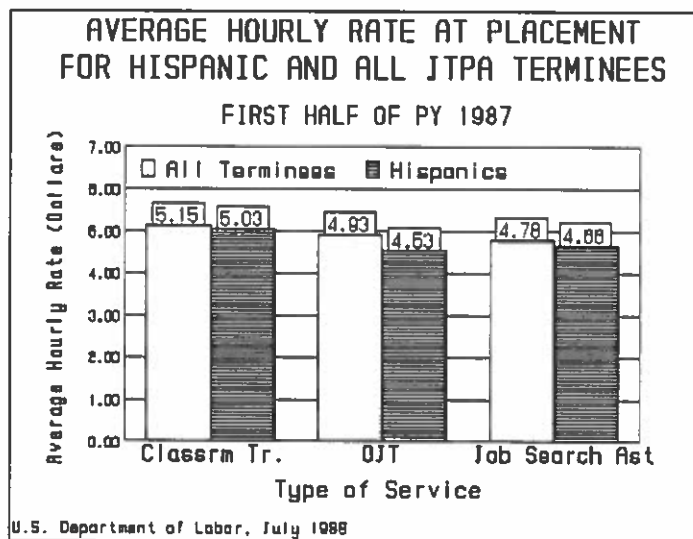
Although such traits as low educational attainment, high rates of unemployment, and employment in low-skill jobs all indicate that Hispanics may typically require more intensive services than non-Hispanics, they are enrolled in training programs for shorter periods than JTPA terminees generally (see Figure 5). Proportionately fewer days of service are provided Hispanics in each of the major activities -- 56% less for JSA, 17% for OJT, and 12% for classroom training. And although the emphasis is toward classroom training for Hispanics in terms of the proportion of their total assigned to this activity, their length of stay in this activity is relatively short, suggesting that the system is not enrolling Hispanics with serious educational and English language deficits.

FIGURE 5



When they leave the program, Hispanics are slightly more likely than JTPA terminees generally to be placed in jobs (see Figure 6), but their average wages are slightly lower. Average wages are relatively low for all terminees, but those who receive more training and other interventions such as job search assistance get higher paying jobs. Lower average wages for Hispanics suggests that they are highly represented among the 25% of program participants who receive occupational training for lower-skill occupations. These occupations have an estimated training time in JTPA of nearly 600 hours and typically include dishwasher, food service worker, custodian, laundry worker, laborer and assembler.<sup>15</sup>

FIGURE 6



While there are no published data on post-program follow-up for either Hispanics specifically or JTPA trainees generally, there is evidence that 25% of the people trained and placed in jobs were not in those jobs after approximately four and one-half months.<sup>16</sup> About 25% of Hispanics who go through JTPA do not obtain jobs at all.<sup>17</sup> If the job loss rate is assumed to be the same as for JTPA participants in general, then half of Hispanic JTPA participants may not benefit economically from the program in the short-term. Lack of data make it impossible to determine whether the services provided through JTPA are likely to have a long-term positive effect on the employability of these participants.

#### **IV. JTPA FEATURES AFFECTING SERVICES TO HARD-TO-SERVE GROUPS**

Hard-to-serve groups characteristically face special barriers to employment due to factors such as low educational attainment, limited English skills or lack of work experience. They are hard to serve from an employment and training vantage point because they are more likely to obtain below average placement rates, they take longer to train and have higher training costs.

Four features of JTPA have had particularly significant effects on the extent and effectiveness of services to persons facing special barriers to employment. These features include the use of performance standards, the extensive influence of the private sector, the very limited availability of supportive services for participants, and the power of the states, which receive JTPA funding from the federal government and exercise administrative and oversight authority over job training.

Budget limitations also play a significant role in limiting services to the hard-to-serve. In 1984, the first full program year, JTPA's funding level was about \$3.6 billion per year, and it has remained about the same ever since -- only about one-third the level of CETA's highest funding level.

All these factors interact to influence the way the system operates. Therefore, to make JTPA more responsive to the needs of the hard-to-serve, it would be necessary to change more than one of the features discussed below.

##### **A. Performance Standards**

JTPA is a performance-driven system. The performance standards system is one of the key features of JTPA that influences the process of selecting and enrolling participants. Localities, funded as "Service Delivery Areas" (SDAs), are assigned performance standards which prescribe expected levels of performance. SDAs are expected to place certain proportions of their trainees into jobs within certain costs and wage ranges, with these proportions varying according to policies set by the state governments. Performance standards include such factors as the proportion of program participants entering employment, wage at placement, and the average program cost-per-participant. The performance standards

system heavily influences the process of selecting and enrolling participants, and also the selection and expected performance of service providers.

The performance standards system is typically implemented through performance-based contracting with service providers such as community-based organizations and schools. This means that a program operator is paid a flat sum for achieving certain "positive" termination goals, usually with payments split according to specified contract terms, such as when a participant completes training, gets a job, or has stayed on the job for a stipulated period of time. Because no money is received for a "negative" termination or for failure to meet specified standards; and also because hard-to-serve clients are more expensive to serve and more difficult to place in jobs, contractors have a strong incentive for screening applicants in order to serve those who have the most skills, the most education, and can be trained most quickly and at least cost -- in short, the most employable. An analysis of DOL data suggest SDAs are concentrating their services on eligible individuals who are most likely to succeed in the labor market regardless of whether or not they participate in the program.

Each state determines the performance standards used in localities within their jurisdiction. Most states have adopted performance standards systems based on the "optional adjustment models" -- which are statistical methods used to adjust performance standards -- developed by DOL. The federal role in the performance standards system is to choose performance measures, to set the level of performance standards, and to establish parameters within which standards can be adjusted at the state-level. The models have been designed to hold local SDAs harmless, that is, allow SDAs to serve without penalty individuals who are difficult to place or hard-to-serve -- characteristics associated with higher costs. While the models help to avoid disincentives for serving particular groups (for example, minorities and dropouts), they do not include measures of labor market deficiencies or barriers to employment that characterize hard-to-serve individuals.<sup>18</sup>

Performance standards become the basis for measuring JTPA success at all levels. The states use performance measures to gauge the success of SDAs, providing cash awards for high performance and sanctions for low performance. SDAs interested in demonstrating their success rely on these measures and seek to ensure that their individual service providers meet the standards. Training providers must meet the standards to continue to receive funding. Some nonprofit service providers, particularly those committed to serving minorities and other disadvantaged persons, have declined JTPA contracts because they have been unable to target the hard-to-serve and still meet specified performance standards.

Compliance reviews carried out by DOL confirm that although the transfer of administrative and oversight responsibility from the federal to the state governments is complete, the system still responds to national goals and incentives. DOL transmits its direction and guidance through its issuance of performance measures and standards, which emphasize the

achievement of high placement rates and low costs. None of them mentions the hard-to-serve.

The JTPA system is clearly responding to the built-in incentives. JTPA officials and program operators have responded to the numerical standards by training people at a per-person cost that is 40% less than the national goal and by having a placement rate 20% higher than the national goal.<sup>19</sup>

## B. Influence of the Private Sector

A second major constraint on JTPA's capacity to assist the hard-to-serve is that the private sector, especially the business community, plays a major program role in selecting clients and determining the mix of service offerings. The focus on short-term services to "job ready" clients has helped to shape JTPA into a short-term labor exchange for the private sector as opposed to a training program aimed at the long-term employability of individuals facing special barriers to employment.

The business community has a major institutional role in the JTPA delivery system at the local level. The business community constitutes a majority of the members of Private Industry Councils (PICs), which make policy, formulate plans, and monitor their SDA's operations. The PICs are highly motivated to exceed performance standards established by the states as much as possible.<sup>20</sup> This inclination, combined with incentive policies at the state level which emphasize exceeding standards, make it less likely that hard-to-serve groups will receive attention.

The PICs are responsible for determining program mix, which includes how the system is to assist disadvantaged individuals. Services are supposed to be tailored to both the needs of the individuals and the hiring requirements of local businesses. However, increasingly JTPA emphasizes the latter by focusing on the recruitment and selection of eligible participants who are more job ready and thus offering less intensive services to them.

In large measure, the business community views the JTPA system as an economic rather than a social program -- as an intermediary service designed to make the labor market more efficient rather than a program concerned with substantially improving the skills of individuals most in need of training. In providing a short-term labor exchange service, JTPA is duplicating activities of the public employment service system. JTPA has fulfilled the labor exchange function efficiently. Increasingly, the business sector trusts JTPA as a reliable provider of new employees for entry-level positions. Most of JTPA's local management systems and services have been built around fulfilling that function. After five years of operation, the economic view of JTPA has become an integral element of the system.<sup>21</sup>

### **C. Supportive Services**

The restrictions on supportive services under JTPA is another factor contributing to inadequate services to the hard-to-serve. JTPA provides minimal or no stipends and offers very limited support services; many persons facing special employment barriers either cannot afford to participate in the program or cannot receive the services they need to become employable.

This is partly a matter of funding formulas. JTPA stipulates that not more than 30% of the funds available to an SDA for any given program year may be expended for administration, work experience, support services, and needs-based payments (previously known as stipends). Half of the 30% limitation goes to cover administrative costs, which leaves 15% or \$210 million for work experience, support services, and cash payments.

The 30% cap has had a major effect on the composition of JTPA's clientele. Individuals who can support themselves and their families in some way (for example, through welfare or unemployment insurance) are typically willing to enter training programs, and thus are well-represented among JTPA participants. Individuals without such financial support want and need immediate income, thus are unlikely to enter JTPA training components. Fewer than one in seven JTPA participants receive needs-based payments, which average \$35 per week.<sup>22</sup>

Very limited support services, such as child care and transportation, are offered in most localities. The expenditure rates for support services have remained at a level of about 11% since the implementation of JTPA. This is lower than the 15% which JTPA permits, and reinforces the allegations of "creaming" in the system.<sup>23</sup>

### **D. State Role as JTPA Administrator**

The states have an increased role under JTPA compared to CETA, which has important ramifications in the design of programs, especially in determining who and how individuals within the eligible population will be served. Under JTPA, states are responsible for major tasks including planning, coordination, administration and oversight. State policies explicitly related to performance standards can determine whether and to what extent the hard-to-serve population will be targeted.

First, states can adjust the national performance standards to reflect the characteristics of clients they wish to have served as well as local economic conditions. These adjustments may include adding to DOL's standards, determining the relative importance or weight accorded each standard, and varying the numerical standards facing SDAs. The adjustments made by the states have not favored the hard-to-serve. The states' failure to increase targeting appears to reflect concern for the number of people who can be enrolled, types of services needed, and costs incurred. Since the hard-to-serve require more extensive and costly services, a decision to target them means lower enrollment rates.



Second, states may grant requests from SDAs for specific adjustments to the state's performance standards, for example, to serve people with more serious employability problems. Cumulatively, states have granted requests to fewer than 100 SDAs and most commonly when local employment conditions change such as a plant closing which raises unemployment.<sup>24</sup>

Third, states establish policies for rewarding SDAs for exceeding performance standards, for technical assistance to SDAs, and for promoting assistance to the hard-to-serve. Six percent of the total allocation to each State is used to implement these policies. Only 10% of this 6% allocation, or 0.6% of state allocations has been used to encourage SDA services to hard-to-serve groups. The priority at the state level has been placed on rewarding SDAs that have exceeded their standards and for technical assistance rather than encouraging them to offer services to eligible hard-to-serve clients. States have generally failed to set an example for SDAs through their set-aside programs for hard-to-serve participants because they have not recognized the generally negative impact performance standards have had on the provision of longer-term services.<sup>25</sup>

#### **E. JTPA Funding Level**

Title II-A, the core JTPA program for assisting disadvantaged persons, has been maintained at the same relatively low level of funding for the past five years -- \$1.8 billion per year. About 78% of this funding level has generally gone to SDAs for training an average of 760,000 enrollees annually with an average cost of \$1800 per enrollee in the program. The low level of JTPA funding exacerbates the problem of serving those facing special employment barriers because serving them would cost more than serving current clients; and as a result, JTPA would be able to serve an even smaller percentage of eligible persons. Larger allocations would allow states to establish new priorities in serving the eligible population. More attention would be paid to the hard-to-serve because the current pressures to minimize costs would be reduced and allow for increased expenditures for training this group.

### **V. CONCLUSIONS AND RECOMMENDATIONS**

#### **A. Conclusions**

JTPA's structure has failed to reflect its intended purpose: its instructions to serve those who are "most in need" have been virtually ignored and its mandate to serve equitably substantial segments of the eligible population has been partly disregarded. As a result, Hispanics, who constitute one major disadvantaged group, are "falling through the cracks" of the JTPA system.

JTPA's emphasis on program performance has shifted the attention of training programs away from long-term employability development to the creation and management of a low-cost, high-volume labor exchange system.



The failure of the DOL's performance standards to take into account explicitly the hard-to-serve has led to "creaming" from within the eligible population. While DOL gained approval from the Office of Personnel Management to initiate a data collection effort for PY 1988 which includes potential measures of labor market deficiencies (long-term welfare status, below seventh grade reading level, and type of welfare assistance), the performance measures used and the choice of variables included in the optional adjustment formulas are too narrow to encourage services to the hard-to-serve.

Practitioners, researchers, community leaders and some members of Congress are concerned that JTPA may not have incorporated all the lessons learned from previous employment and training experiences. The seriousness of these concerns has caused the Congress and DOL to reassess the performance standards system and consider modifications to it. At the same time, DOL has convened an advisory committee to help determine what other improvements might be necessary in order to encourage services to the hard-to-serve. This activity and concern confirms the absence of a clear mandate from Congress to establish a philosophical and programmatic commitment to the hard-to-serve and the absence of leadership on the part of DOL and the States to carry out such a mandate.

JTPA has several provisions that bear on who should be served. One problem is that the Act essentially leaves it up to states and PICs to define and apply the statutory language. Without any guidance from DOL, the interpretation they have given the statutory provisions on eligibility and targeting has resulted in reduced services to the hard-to-serve and in a limited amount of investment in program participants. Further, states and PICs have failed to use their discretion within both the Act and the regulations to encourage services to the hard-to-serve.

A combination of federal policy initiatives are necessary to direct the JTPA system back to its original purpose of serving hard-to-serve economically disadvantaged individuals. As indicated below, first, amendments to JTPA are required to tighten eligibility requirements, remove certain limitations which hinder the provision of services to hard-to-serve groups, and clarify the role of DOL in the administration of the program. Second, federal regulatory changes are required to remove disincentives to serving the hard-to-serve from the performance standards system, to allow training programs of longer duration and with appropriate service mixes, and to permit higher cost programs. Third, new regulations are necessary to expand data collection efforts to track client selection decisions, participant flows through the system, mix of services provided, specific expenditures, and participant outcomes.

**B. Legislative Recommendations; Congress should:**

1. Clarify and re-define target populations to more closely reflect the characteristics of the individuals who should receive priority for services.

2. Mandate the use of community-based organizations in the design and delivery of services to the hard-to-serve and their participation on Private Industry Councils.
3. Mandate that no less than one-half of the 6% set-aside -- used by states to provide incentive grants for programs exceeding performance standards -- be used to reward SDAs for serving hard-to-serve individuals.
4. Raise the "cap" on supportive services, work experience and needs-based payments from the current 15% level to 25%.
5. Designate the public employment service as the presumptive deliverer of job search assistance services and re-program the funds now being used by the JTPA system for this activity to supportive services.
6. Increase appropriations for JTPA now and in subsequent years by amounts that can be absorbed by the JTPA system.

**C. Regulatory Recommendations**

1. To reduce disincentives to serving the hard-to-serve, DOL should:
  - (a) Modify its performance standards adjustment formulas and their present emphasis on demographic factors by (i) adding factors to the models to include individuals' skill deficiencies and other barriers to employment, and (ii) adding adjustments to the models for activities directed to the hard-to-serve.
  - (b) Set the cost standards at a level that permits states to encourage SDAs to undertake special remediation programs for hard-to-serve persons.
2. To increase enrollment of Limited English Proficient persons in JTPA will require changes in service mix and instructional approaches. DOL should:
  - (a) Require that English language instruction be integrated with occupational skills training.
  - (b) Encourage use of computers and video discs and other high-technology approaches to complement conventional English-language instruction.

3. To increase services to hard-to-serve groups, the States should:
  - (a) Add standards to those published by DOL to require SDAs to meet service levels for the hard-to-serve in order to qualify for incentive awards. Equity-of-service standards could be added to ensure equitable representation of Hispanics in JTPA programs.
  - (b) Alter the reward structure at the State level to provide incentives to SDAs to serve hard-to-serve persons. To emphasize the use of 6% funds for the hard-to-serve, States should clearly specify what awards will be made for various levels of services.
  - (c) Enforce the sanctions provisions of the Act. Failure of SDAs to meet policy objectives with respect to serving the hard-to-serve would lead to such penalties as the selection of a new administrative entity, the restructuring of the PIC and/or the selection of different service providers.

**D. Data Collection and Dissemination**

1. To add new information to the data it already gathers, and to permit, facilitate, DOL and independent evaluations of the program, the DOL should collect:
  - (a) Data for individuals on the combination of characteristics which define the hard-to-serve.
  - (b) Data on the competencies gained by individuals in JTPA.
  - (c) Cost data per participant according to activity and duration of service.
  - (d) Data on receipt of supportive services and stipends by participant characteristics.
  - (e) Attrition data by participant characteristics, including reasons for negative terminations.
2. DOL should increase dissemination by periodically publishing its list of public use tapes, program evaluation findings and findings of specific research projects.

Improving services to the hard-to-serve will demand an unwavering commitment of the federal government. Congressional oversight of the training system is critical to ensure compliance with JTPA's intended purpose. It is important that Congress consider redirecting the JTPA

system to its original mission of serving those who would be least likely to find self-supporting jobs on their own. DOL must convey the firm message throughout the JTPA system that high placement rates and low participant training costs are not ends in themselves. Although the National Council of La Raza hopes and expects that the legislative changes it recommends will receive serious consideration, implementing the recommended regulatory changes alone can have a major positive effect on the direction of the program.

Hispanics and other hard-to-serve groups can make their full contribution in an adequately trained work force that meets the future demands of the U.S. economy if policy efforts now forge human investment partnerships that include the public, private, and community sectors. Hispanics in the work force are a critical human resource whose reservoirs must be tapped to maximize U.S. labor force participation and productivity potential. This investment should be made now in order to reap societal benefits and protect the economic security of the United States through the next century.

## ENDNOTES

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