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Report to Senator Ron Wyden

April 1996

JOB TRAINING

Small Business Participation in Selected Training Programs

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Washington, D.C. 20548

Health, Education, and
Human Services Division

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April 29, 1996

The Honorable Ron Wyden
United States Senate

Dear Senator Wyden:

Both government and the private sector currently devote significant resources to train our nation's workforce. We reported in 1995 that the federal government alone spent about $20 billion on 163 programs that included some aspect of worker training.[1] Generally, federal employment training programs target specific populations of workers, such as dislocated workers—those who have been or will be permanently laid off due to plant closures or corporate downsizing. These programs often pay for formal training or other services workers need to find stable employment and, as a result, can reduce employers' training costs by providing them with trained workers.

In your September 18, 1995, letter, you expressed concern about the difficulties small[2] employers may have in training their workforce or hiring additional workers with the necessary skills. Because of your interest in ensuring that federal training programs accommodate small employers, you asked that we (1) provide information on the extent to which small employers participate in employment training programs of different types, (2) identify barriers that may limit their participation, and (3) discuss ways to address such barriers.

To obtain information on small employer training activities, their use of available training programs, and barriers they may face when participating[3] in programs, we reviewed pertinent literature and studies; interviewed many officials from employer and other associations and federal agencies; and analyzed the most recent employer surveys of training by the University of Pennsylvania's National Center for the Educational Quality of the Workforce (EQW), the Department of Labor's Bureau of Labor

[1]Multiple Employment Training Programs: Major Overhaul Needed to Create a More Efficient, Customer-Driven System (GAO/T-HEHS-95-70, Feb. 6, 1995).

[2]No consensus exists for the definition of a "small" employer. For this report, we defined a small employer as one with fewer than 100 employees. See app. I for a discussion of this issue.

[3]For this report, employer participation occurs when an employer seeks the services of or otherwise actively engages in a training program to either obtain additional skilled workers or to upgrade the skills of existing workers. For more discussion of how employer participation differs among programs, see apps. II through IV.

Statistics (BLS), and the University of Kentucky (performed under a grant from the Small Business Administration (SBA)).

To obtain specific information about barriers faced by employers using particular programs, we conducted six case studies of small employer experiences in selected programs that offered formal training and had different funding sources, program goals, and operations. These case studies included

- two organizations providing local services to dislocated workers under the federal Job Training Partnership Act's (JTPA) Title III Economic Dislocation and Worker Adjustment Assistance (EDWAA) program (the North Tennessee Private Industry Council in Clarksville, Tennessee, and The Private Industry Council in Portland, Oregon);
- two state training fund programs (the Employment Training Panel in Sacramento, California, and the Office of Customized Training in Trenton, New Jersey); and
- two privately funded and operated apprenticeship programs (the Tooling and Manufacturing Association in Park Ridge, Illinois, and the Employing Bricklayers Association of Delaware Valley in Plymouth Meeting, Pennsylvania).

Appendixes II, III, and IV discuss the results of these case studies. Because our findings are based on a small number of case studies, they are not generalizable to the employer community as a whole. We believe, however, that the qualitative information we collected provides important information on small employers' experiences as participants in selected training programs.

We conducted our audit work between June 1995 and March 1996 in accordance with generally accepted government auditing standards. For further discussion of our methodology, see appendix I.

Results in Brief

Large employers are about twice as likely to take advantage of several types of training programs as are small employers. Small employers may perceive barriers that make participation in training programs more difficult. For example, training programs that require employers to comply with detailed administrative or other paperwork requirements present economic barriers. Small employers may find it too costly to devote the necessary time to conform to these requirements. In addition, training programs that focus on workers' general needs rather than on employers'

specific skill needs present institutional barriers. Finally, informational barriers may also exist because small employers often know less about the training programs available to them than larger employers.

In our case studies, those programs that focused mainly on employer needs used or actively encouraged consortia, which are organizations of employers, unions, or other interested parties. These consortia provide employment training services to employers and, in these particular programs, reduced many of the economic barriers to participation in ways such as helping small employers complete administrative or other paperwork requirements. The consortia also addressed many of the informational barriers because they helped small employers identify their training needs and provided these employers with information about training programs. Several of the programs also provided small employers with significant technical assistance to complete paperwork or other requirements, which overcame some of the economic barriers to participation.

Background

Academic and government research has highlighted the crucial importance of a skilled workforce to the nation's economy. This research has also suggested that the training being provided to current and future workers may not be sufficient to ensure a workforce with the skills necessary for fostering economic growth and improved living standards.[4] Partly in response to these concerns, over the last several years, the administration, the Congress, and the private sector have suggested or implemented several initiatives to enhance the provision and effectiveness of training.[5] Some of these initiatives call for a greater role for employers in determining training needs or conducting training.

[4]For example, the Department of Labor's Bureau of Apprenticeship and Training's (BAT) Apprenticeship 2000 initiative identified the lack of skills in current and future workers as a serious problem. In addition, The Commission on the Skills of the American Workforce of the National Center on Education and the Economy, in America's Choice: High Skills or Low Wages, recommended that the nation move toward a more comprehensive system of education in which skills upgrading for most workers would be a central aim of public policy.

[5]The administration has attempted to encourage employers to play a greater role in training through the proposed establishment of an employer training tax and the use of tax credits for employers who sponsor training. Additionally, in 1995, on the basis of concerns that federal training programs were not as effective as they should be, the House of Representatives and the Senate passed separate legislation that would consolidate federal job training programs and give states greater authority over federal training resources. Finally, the private sector has established many efforts to revise traditional training delivery systems. For example, in 1992, a group of Wisconsin-based employers, unions, and educational institutions created a learning consortium to better link employer needs to skills training.

Although many federal training programs focus mainly on the needs of particular types of worker populations (such as dislocated workers), other training programs focus on employers' training needs. For example, in most states employers can take advantage of programs that provide funding for employment training as an integral part of the state's economic development strategy. As of 1995, 47 states spent over $350 million for programs that helped employers develop customized formal training programs for their workers. The rationale for these state-funded programs is that worker retraining is critical to economic development. Most of these programs are funded from general state revenues; some states, however, require mandatory employer contributions to state training funds (similar to unemployment insurance payroll taxes). To be eligible for these state programs, employers often must meet financial or industry-specific requirements. To participate in these programs and receive funding for training, employers must prepare detailed training plans about the training they want to provide, be responsible for providing the training, and adhere to specific follow-up requirements.

Employers may also fund their own training programs, individually, collectively, or in conjunction with unions, to train workers or new hires. Although a 1990 study estimated that employers spend billions each year on training activities, no comprehensive list exists of all privately funded training programs or how employers participate in them. Collaborations among employers and other entities—sometimes called consortia—are often developed mainly to provide member employers with trained workers at reasonable costs. Such consortia have historically existed in industries with technical trade or unionized occupations that have joined together for apprenticeship training.

Apprenticeship training is a structured approach to formal training in which employers send their workers to classroom training while providing them with supplemental on-the-job training (OJT). Although not required, employers often register their programs with the U.S. Department of Labor's Bureau of Apprenticeship and Training (BAT) to take advantage of various benefits. In 1995, Labor had about 34,000 registered apprenticeship programs with over 355,000 apprentices.

Small employers have special training needs because of the workers they tend to employ, according to experts. Establishments of fewer than 100 workers employ over 50 percent of all workers, and, according to SBA, small employers provide the first work experience for two out of every three workers. Small employers also often hire workers with fewer skills

and less education because they tend to pay lower wages than larger employers in their industries or geographic areas.

Small Employers May Not Be Taking Full Advantage of Training Programs

Small employers are less likely to use available training programs and resources—especially federally sponsored training programs—than are larger employers, according to the extremely limited quantitative data available.[6] For example, a recent employer establishment survey conducted by EQW found that 22 percent of work places with over 100 employees used government-sponsored training programs,[7] while only about 12 percent of work places with fewer than 100 employees used them.[8] A 1993 University of Kentucky survey also found that, while 44 percent of establishments with 500 or more employees used government training programs, only about 20 percent of those with 100 or fewer employees used them. An employer establishment survey conducted by BLS in 1994 found that although over 50 percent of establishments with 250 or more employees used apprenticeship programs, less than 18 percent of establishments with 50 or fewer employees used them.

These data are supported by the views of many experts, who believe that the amount and quality of training being provided by small employers may not be sufficient to ensure a workforce with the skills necessary for fostering economic growth.[9] No consensus exists, however, on the type or level of small employer participation appropriate to ensure that present and future workers of small employers are adequately skilled. In addition, several reasons may explain why small employers may not train or

[6]Quantitative data on the extent of employers' use of established federal, state, or private training programs to formally train their workers or obtain skilled workers are very limited. See app. I for a discussion of the difficulties associated with the literature on employer training activities and small employers' participation in training programs.

[7]EQW did not provide respondents with a definition of government-sponsored training programs, so determining whether these results accurately reflect employer participation in these programs is difficult. Our discussions with employers and training program officials suggested that at least some employers may be hiring workers through government training programs without being aware that they are doing so. As a result, the data may indicate the low level of employers' awareness about these programs as well as low usage.

[8]EQW also found that establishments with 100 or fewer employees are less likely to take advantage of other training resources, such as technical or vocational schools or unions, although use by establishments of all sizes is fairly limited. The data showed that the most common source of training for establishments of all sizes was equipment suppliers—that is, companies that provided employers with new equipment. About 71 percent of establishments with over 100 employees used equipment suppliers for training, while 61 percent of establishments with fewer than 100 employees used them.

[9]Experts and data indicate that smaller work places generally provide less worker training than larger work places, and the training provided by small employers may not be sufficient for their needs. For a fuller discussion of this, see app. I.

participate in available training programs.[10] Finally, use of available training programs may be limited for employers of all sizes. Nonetheless, the significant difference between the use of available programs by small employers compared with larger ones raises questions about why small employers participate less in available training programs.

Small Employers May Face Barriers That Discourage Participation in Training Programs

Small employers may face several barriers when participating in available training programs. As shown in table 1, we categorized these barriers as economic, institutional, or informational. Appendixes II, III, and IV provide detailed information on the presence of these barriers in each of the programs we visited.

Table 1: Barriers to Training for Small Employers

Barrier	Definition
Economic	Costs related to participating in training programs, such as (1) the time associated with complying with administrative requirements, (2) the reduced worker productivity during the training period, or (3) the losses when a newly trained employee leaves
Institutional	Program organization or other operations that discourage or disqualify participation
Informational	Inability to identify training needs or acquire adequate knowledge about available training programs

Economic Barriers May Limit Participation

Economic costs[11] may affect small employers' participation in training programs because small employers typically have fewer financial and human resources than larger employers, making training costs prohibitive. This lack of resources makes it more difficult for small employers to pay tuition costs or allow workers to take training during normal work hours because employers would have to absorb the cost of wages paid to workers who are training rather than working. In addition, because small

[10]For example, an employer may be in an industry that relies primarily on less skilled labor. Or, it may be in an area with an adequate supply of skilled labor. In addition, downsizing activities by larger employers have provided small employers in many parts of the country access to skilled workers.

[11]We used some judgment in assigning certain problems to the three categories. For example, administrative requirements, which we classified as an economic barrier, could also be classified as an institutional barrier since many programs have such requirements. However, we classified them as an economic barrier because the most prevalent comment from employers and experts about them was the time and opportunity costs of completing them.

employers are less likely to have staff devoted to training or personnel matters, it may be relatively more costly and time consuming for them to divert resources from production to completing administrative requirements for program participation. Finally, because turnover rates for small employers tend to be higher than for larger employers in the same industry and geographic area, small employers may be less willing or able to absorb the lost costs and benefits of training if the newly trained employee quits or is hired by another employer.

Economic barriers to training were present to some degree in all the programs we visited—federal, state, and private. In the two EDWAA sites we visited, the costs associated with paperwork requirements somewhat discouraged employers from participating. For example, if an employer wants to provide OJT to a dislocated worker,[12] the employer must, among other requirements, complete a detailed OJT training agreement, specifying what training is to be provided, its duration, the number of participants, wage rates to be paid, the rate of reimbursement, and a description of what participants will learn. The employer must also maintain and make time and attendance reports and other records available to program officials to support amounts reimbursed by the government under these contracts during the training period (which can last 6 months or longer). The employer also must allow program officials to inspect the program site to ensure that training is being done accurately. Officials at the program sites we visited said that because of the significant requirements, employers rarely provide OJT.[13]

State-funded training programs also had economic barriers that may discourage small employer participation. First, to participate in these programs, employers must comply with extensive paperwork requirements, providing detailed information about their operations, why they need training, and the parameters of the training. Then, they must develop a detailed training plan. Employers told us that, because of the amount of information required and the detailed nature of the information on the application, completing the application process is time consuming and burdensome. Program officials said the application process takes 5 to

[12]Under this aspect of EDWAA, employers are allowed to provide OJT to a newly hired dislocated worker and receive up to 50 percent of the training costs incurred by the employer during the training period. The decision whether to make this offer to employers is left up to the organizations providing the services on the local level. See app. II for further discussion.

[13]Federal Labor officials said accountability is very important for this part of the program. How these requirements can be implemented at the local level, however, is subject to great flexibility, and often state and local organizations use more complicated procedures than are necessary, according to the officials.

6 months or possibly longer; one employer said it took over a year to complete the application process. In addition, to receive all of the requested funding throughout the training period (which can last up to 2 years) employers must meet with program staff and supply updated training information. Finally, when the training is completed, employers must provide information on its impact.

The small employers we interviewed who were participating in the program said the monitoring requirements were also burdensome and time consuming. These employers participated despite the application and monitoring requirements because they recouped their costs when they received the training funds. However, they noted that other small employers may not be willing to endure the process to receive the training funds. Although state program officials said these requirements were mandated by the program legislation to ensure program accountability, they agreed that small employers may be discouraged by the amount of paperwork and information required.

In addition, a few of the employers participating in one of these programs said that the program's requirement that employers allow workers to receive training during normal work hours was difficult and sometimes costly. They said that employees did not always want to attend training during normal work hours and maintaining consistent productivity levels while employees were in training was difficult.

Finally, one of the apprenticeship programs posed economic barriers to employers. Employers were hesitant to hire and train apprentices from the bricklayer apprenticeship program because they believed it was too costly. Officials overseeing this program said they often had difficulty placing all apprentices because employers said that, although apprentices received reduced wages during the training period, the reduced wages did not offset the apprentices' lower productivity—a cost they could not afford. A broader economic concern facing employers in this apprenticeship program was the cyclical nature of the construction industry.[14] They said that, even in the best of times, unionized journeymen sometimes cannot work all year because of weather or other factors and hiring apprentices when journeymen lack work would be unfair. One employer also told us it would not be fair to the apprentices to hire them and then lay them off soon after for lack of work.

[14]Activity in the construction industry is significantly affected by mortgage interest rates, government expenditures on infrastructure, and other macroeconomic factors as well as local economic conditions. As a result, the amount of work and employment in the construction industry fluctuates significantly throughout the country.

Institutional Requirements May Limit Participation

Other barriers limiting small employer participation in training programs are institutional, often resulting from a program's organization or operations. Institutional barriers may limit small employer participation in programs because they may discourage or disqualify small employers from accessing the programs. For example, if a program targets its services primarily to workers rather than employers, it may discourage small employers because they do not have personnel dedicated to finding out about program procedures, which may be confusing or complicated. In addition, if a program limits its services to certain industries, locations, or training needs, employers of all sizes will not be able to take advantage of the program if they cannot fit into any of the targeted groups. Small employers may find it even more difficult if they do not have industry characteristics or training needs in common with other industry employers.

The EDWAA and apprenticeship programs faced some of these institutional barriers. EDWAA's traditional focus on workers may discourage small employer participation. First, most of the program's resources are to be directed to workers' needs rather than employers' needs, which may mean that programs target large employers because they are better connected to established human resource networks and can hire more workers out of the program than small employers. One small employer told us that he believed training programs tended to focus on larger employers because they are easier to find. In that respect, programs may serve the needs of larger employers; one employer said that, being a small employer, he cannot afford to wait 6 months to a year until the required training is completed before he can get a trained worker (as a larger employer may be able to do).[15] Moreover, the program allows much flexibility in how local sites involve employers, so that disparate views and approaches to employer participation may result. For example, one site we visited believed that OJT was very important and that employers should take advantage of it. The other site did not actively market this part of the program to employers. Circumstances such as this may be especially problematic for small employers, who have less time and fewer resources

[15]Our past work has indicated that the federal employment training system often does not clearly understand employer needs and has not established a direct relationship between what employers need and what training is provided to workers. See Multiple Employment Training Programs: Most Federal Agencies Do Not Know If Their Programs Are Working Effectively (GAO/HEHS-94-88, Mar. 2, 1994).

to navigate among various program structures to determine the participation requirements.[16]

The apprenticeship programs also presented some institutional barriers for small employers. Both of the programs we visited provided structured training for specific technical skills needed by similar types of employers in a single geographic area. The training these programs provided was not available to small employers with different training needs or those in a different location. Furthermore, because one of the programs provided training for employers with unionized employees only, employer participation would require an employer to become unionized. This could include signing a collective bargaining agreement and agreeing to other conditions that a small employer may not be willing or able to agree to.

Informational Barriers May Limit Participation

Another barrier that may limit small employer participation is informational—that is, small employers may lack appropriate knowledge of training needs or available training programs. Small employers, because they are less likely to dedicate staff to training and personnel matters, may have more difficulty than larger employers identifying training needs or determining what training programs are available to meet their needs.[17] In addition, small employers may be less involved with established training networks or industry groups or trade associations than larger employers, so they often lack adequate and accurate information about what training programs are available to meet their needs.

Informational barriers may also limit full participation for the EDWAA and the state training fund programs. For example, many small employers we interviewed that had hired workers through the EDWAA program were generally unaware of the program and did not know that the program would reimburse them for OJT they provided to a dislocated worker. Because small employers were generally unaware of the program, they said that they did not typically seek out these workers for their job vacancies. In addition, many of them had negative opinions about the program, which also influenced their decisions about whether to seek individuals from federal training programs for vacancies. For example,

[16]In past work we have found that the federal employment training programs are often duplicative or otherwise confusing for participants and employers alike. See Multiple Employment Training Programs: Overlap Among Programs Raises Questions About Efficiency (GAO/HEHS-94-193, July 11, 1994).

[17]We found in 1994 that small employers were often unaware of general workplace regulatory requirements. See Workplace Regulation: Information on Selected Employer and Union Experiences (GAO/HEHS-94-138, June 30, 1994).

several employers said that they did not believe the quality of participants in federal training programs was very good. These employers, however, were pleased with the skills of the workers they had unknowingly hired through the program.[18] Program officials at the one site we visited (NTPIC in Tennessee) said that current funding restrictions make it difficult to adequately serve individuals and small employers simultaneously. At the other site (TPIC in Oregon), program officials said they continued to believe that they achieved significant employer participation through a number of activities. They also said their encouragement of a "self-directed job search" for dislocated workers means it is quite possible that employers are unknowingly hiring workers who had received services through this program.

Moreover, several of the small employers we spoke with who were participating in the state training fund programs said they were unaware of the program until contacted by a consortium. While these employers ultimately were able to participate, they believed that other small employers who were not involved with such groups may not be aware of the programs' availability.

Consortia Used to Address Small Employers' Barriers to Participation

Program officials at the sites we visited generally acknowledged that although small employer participation was important to the program's success, it was often difficult to achieve. They said that they want to reduce many of the barriers to small employer participation but some are more difficult to address than others. They said that institutional barriers—those inherent in the programs' organization—may require amendments or other changes to traditional operations to be addressed. Programs that had been developed with a specific employer focus (the state training fund and apprenticeship programs), however, were using or encouraging consortia to reduce many of the economic and informational barriers to participation in these programs.

In the state training fund and apprenticeship programs, consortia usually centered around local community colleges, trade associations, unions, or employers working on behalf of others. In addition, while their activities varied, the consortia typically linked small employers with the services offered by the training programs, including helping employers identify training needs and comply with program requirements. According to the

[18]Federal Labor officials said they would like local program sites to do what they can to make small employers aware of the program and seek out qualified candidates. However, they noted that the flexibility allowed in the program means that local organizations can involve employers as they believe is appropriate.

small employers we spoke with who participated in these programs through consortia, consortia were a significant determinant in their participation. Appendixes III and IV highlight the consortia activities and how they helped small employers participate in the programs.

Although the use of consortia is permitted in EDWAA, we did not find them being used at the sites we visited. Labor officials said, however, that incentives to encourage their development may be insufficient. In 1995, Labor provided about $5 million in demonstration grants to 11 sites to demonstrate the ability of organizations to broker linkages between employers and dislocated workers. Through these demonstrations, these organizations—similar to consortia—are to encourage employers to participate in identifying needed employee skills and developing training curricula designed especially to meet the employers' needs. Several of the demonstration projects focus on individual clusters of small employers, while others use Employer Advisory Committees so that the workforce needs of employers are the major focus of training provided to dislocated workers.

Consortia Helped Reduce Economic Barriers

The use of consortia in the apprenticeship and state training fund programs reduced many of the economic barriers to participation. In the apprenticeship program, employers said the use of consortia reduced training costs. According to one employer participating in the apprenticeship program, because the costs of the program were subsidized by all consortia members, any costs he must individually bear for training apprentices were lower than they would have been if he had tried to get similar services at local educational institutions. Other employers said that because the training was cheaper because of this subsidization, they were less concerned about the losses associated with trained workers quitting or being hired by another employer.

Consortia also helped to reduce economic barriers in the state training fund programs, primarily because they either completed the administrative and monitoring paperwork for the employers or they provided significant help to the employers to complete it. Representatives of several of the major consortia in these programs that we interviewed said their key role was providing help with the paperwork and other program requirements. Employers participating through consortia said that the use of consortia saved them much time and effort in completing the paperwork and other program requirements. One employer participating through a consortium

noted that the value of the consortium's services was worth far more than the fees charged.[19]

Consortia Also Helped Reduce Informational Barriers

Consortia also played a major role in the apprenticeship and state-funded training programs in addressing informational barriers to small employers' participation. In the apprenticeship programs, the consortia developed a structured training curriculum that could be accessed by all employer members of the consortia. Employers said this significantly reduced the difficulty of identifying training needs. One employer said that he did not have time to identify his training needs, contact local schools to determine who had the appropriate training courses, and put together a curriculum. In that respect, he said, the consortium "put it all together." In addition, all employers we spoke with believed that, because the training was developed with their input, it was industry based and of a better quality than what was available from local institutions. Finally, because the consortia carried out several activities that promoted the industries and the availability of the training, employers participating in both apprenticeship programs believed the consortia made other small employers aware of the training. One employer who was not participating in one of the programs said he was well aware of the program. He believed it was effective and would use it if he had a need for apprentices.

The consortia also helped to overcome informational barriers to the state training fund programs. Often, the consortia contacted employers and asked them about their training needs, then worked with them to determine the best way to address those needs. One of the small employers we spoke with said he would not be participating unless one of the consortia had contacted him because he did not know about the program before that. Moreover, another said that, without one of the consortia, he may not have been able to develop an effective training plan because doing so would have been very costly and time consuming.

Availability of Technical Assistance Helped Relieve Economic Barriers to Participation

The availability of technical assistance at both of the state training fund programs we studied also helped to relieve economic barriers. Because every employer may not want to become involved with a consortium or none may be available, the state training fund programs also provided significant technical assistance to individual small employers interested in the program.

[19]In some cases, the consortia charge a fee that is taken out of the training funds provided to the employer.

Both programs had staff or used staff from other organizations to visit employers and walk them through the application requirements. When necessary, program staff also help small employers identify training needs to facilitate the application process. This helps employers who want to participate but may find it too costly or time consuming to provide the necessary information on their own. Program officials said that technical assistance is provided throughout the training period, which can last up to 2 years. During this time, program staff periodically visit the employer and assess the employer's progress in the training provision. This assessment includes a review of the training curricula, interviews with instructors and students, and a determination that the training is providing necessary skills. Employers told us that this assistance was critical because it helped to reduce the time needed to complete the paperwork and comply with other administrative requirements.

At the EDWAA sites we visited, the use of technical assistance to help employers reduce participation costs was limited because employers are not typically involved in determining workers' training needs. Although local program officials said they offer technical assistance as needed when an employer chooses to provide training under the OJT part of the program, this does not happen much because employers often do not take advantage of this part of the program.

Concluding Observations

Small employers are much less likely to participate in training programs than are larger employers. This appears to stem from economic, institutional, or informational barriers that small employers face. The state training fund and apprenticeship programs help small employers overcome these barriers by using or promoting consortia. The state training fund programs also emphasize technical assistance to help individual small employers that were not involved with consortia reduce economic barriers to participation. Although permitted in EDWAA, consortia were not used at the sites we visited. We believe, however, that consortia may be useful in this program as well and that Labor's demonstration grants may provide more information about the value of consortia.

As reform of the federal employment training system continues to be debated, our work suggests that a greater role for or use of consortia or increased technical assistance provided to employers could make federal training programs more accessible to small employers.

Agency Comments and Our Evaluation

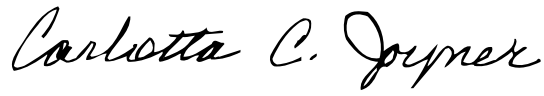
In commenting on a draft of this report (see app. V), the Department of Labor agreed that federal training programs need to work with both large and small employers. Because Labor's focus continues to be, however, on assisting workers, Labor officials said that they are not in a position to evaluate the economic costs and benefits of special efforts on behalf of private-sector employers. Regarding consortia, Labor officials said that our analysis does not demonstrate that consortia would benefit the EDWAA program. We acknowledge that we did not observe consortia being used in the EDWAA program. We believe, however, that consortia might prove useful in such programs. Labor's demonstration grants promoting better employer-dislocated worker links should be informative on this point.

Labor officials also suggested that we note early in the report that our work was based on a sample of programs that was not statistically representative of the universe of EDWAA sites or other employment training programs. In response to Labor's concern, we noted this point on page 2 of our report (in addition to app. I). We acknowledge that our findings are from a small number of case studies and, therefore, are not generalizable to all employers. Despite the limitations of case studies, we believe that the detailed, qualitative data collected from many interviews provides useful information on small employers' experience as participants in selected training programs.

Finally, Labor officials responded to the concerns raised about the paperwork requirements associated with the OJT part of the EDWAA program. They noted that some of the requirements that employers complained about were added in the recent JTPA amendments to improve accountability. Officials said they continue to believe that OJT is an effective training approach that can provide training opportunities that would not otherwise be available.

We are sending copies of this report to the Secretary of Labor and other interested parties. GAO contacts and staff acknowledgments appear in appendix VI. If you have any questions about this report, please contact me on (202) 512-7014.

Sincerely yours,



Carlotta C. Joyner
Director, Education and
Employment Issues

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Abbreviations

BAT	Bureau of Apprenticeship and Training
BLS	Bureau of Labor Statistics
DWP	Dislocated Worker Project
EBA	Employing Bricklayers Association of Delaware Valley
EDWAA	Economic Dislocation and Worker Adjustment Assistance
EQW	National Center for the Educational Quality of the Workforce
ETP	Employment Training Panel
FEA	Foundation for Educational Achievement
GCC	Glendale Community College
ISS	Individual Service Strategy
JAC	Joint Apprenticeship Council
JTPA	Job Training Partnership Act
NTA	National Training Associates
NTPIC	North Tennessee Private Industry Council
OCT	Office of Customized Training
OJT	on-the-job training
PIC	private industry council
SBA	Small Business Administration
TMA	Tooling and Manufacturing Association
TPIC	The Private Industry Council
UI	Unemployment Insurance

Objectives, Scope, and Methodology

To provide information on the extent of small employers'[20] participation in employment training programs and identify barriers to this participation, we reviewed available literature, including studies and surveys performed by public- and private-sector experts. For example, we obtained and reviewed the most recent employer surveys of training, including (1) a 1995 employer establishment survey developed by the National Center for the Educational Quality of the Workforce (EQW) (located at the University of Pennsylvania) in conjunction with the Bureau of the Census, (2) a 1994 employer establishment survey by BLS on training, and (3) a 1993 employer survey by the University of Kentucky performed through a grant from SBA. It was beyond our scope to determine the benefits employers derive from training or reasons for employers to train.

We also interviewed officials from employer and other associations, such as the American Society for Training and Development; the Society for Human Resources Management; the National Alliance of Business; the United States Chamber of Commerce; and the National Federation of Independent Business about training for small employers. We interviewed cognizant officials from two of the major federal agencies responsible for training and small business operations (the Department of Labor and SBA) to obtain information on their efforts to help small employers with training.[21]

Finally, we reviewed alternative types of training activities undertaken by various organizations to learn how these organizations are trying to overcome barriers to training, including those for small employers. This review of the literature, available studies, and surveys highlighted several major definitional issues, discussed later in this appendix.

To identify ways to help address these barriers, we conducted six case studies of experiences of small employers in several different types of worker training programs. The case studies focused on (1) program goals and operations, (2) characteristics of the specific barriers faced by small employers for participation, and (3) whether any methods had been developed to address the barriers and foster small employer participation. We included training programs for existing workers as well as federal training programs, which are predominantly targeted to unemployed or

[20]No consensus exists for the definition of a small employer. Definitions ranging from fewer than 100 employees to up to 500 employees are commonly used. For this report, we defined a small employer as one with fewer than 100 employees. See later discussion of this issue in this app.

[21]Through these efforts we determined that SBA does not routinely develop or participate in training activities for small business. As a result, we did not obtain comments from SBA on this report.

underemployed workers in our scope. Our case studies are not generalizable to all employers. We performed our work in accordance with generally accepted government auditing standards from June 1995 to March 1996.

Program and Site Selection

Because no comprehensive data exist on the number and characteristics of U.S. training programs, accounting for every training program that exists is impossible. However, the literature revealed three broad contexts of training programs by funding source: federally funded, state-funded, and privately funded (by an employer, a group of employers, or an employer in collaboration with a union). Typically, federally funded programs target specific populations of unemployed or underemployed workers; state- and privately funded programs target employers and their existing workforce (and in some cases, new hires). We narrowed down the selection of programs and sites within each of these different types and selected six sites, which are listed in table I.1.

Table I.1: Sites Selected for Case Study Analysis

Site	Location	Date visited
Federally funded (JTPA title III)		
North Tennessee Private Industry Council	Clarksville, Tennessee	November 1995
The Private Industry Council	Portland, Oregon	November 1995
State-funded		
Employment Training Panel	Sacramento, California	July 1995
Office of Customized Training	Trenton, New Jersey	November 1995
Privately funded		
Tooling and Manufacturing Association	Park Ridge, Illinois	January 1996
Employing Bricklayers Association of Delaware Valley	Plymouth Meeting, Pennsylvania	February 1996

Selection of Sites From Federally Funded Programs

We reported in 1995 that about 163 federal employment training programs are operated by 15 different agencies.[22] The largest single federally funded training program was operated by Labor under JTPA. At a cost of almost $5 billion in fiscal year 1995, this program targeted specific groups of unemployed workers for training and other assistance they needed to

[22]Multiple Employment Training Programs: Major Overhaul Needed to Create a More Efficient, Customer Driven System (GAO/T-HEHS-95-70, Feb. 6, 1995).

obtain stable employment. About $1.2 billion of this funding was targeted to dislocated workers—those who become unemployed due to plant closings or permanent layoffs. This is title III of JTPA or the Economic Dislocation and Worker Adjustment Assistance (EDWAA) program. These workers, although unemployed, have many characteristics similar to employed workers, since they generally have significant attachment to the labor force and in some cases long job tenure. Because of this population's similarities with the populations served in the state- and privately funded programs, we decided to use this program for the case study site visits.

To select two sites from the over 600 that carry out EDWAA services on the local level, we obtained from Labor a list of the 25 EDWAA program sites that were Enterprise Council members, according to scores for continuous improvement.[23] We reviewed those programs and excluded those that (1) terminated[24] fewer than 100 individuals, since these programs may be too small for analysis, and (2) were too difficult geographically for us to access. We also considered whether the sites performed all of their services in house or contracted them out. This narrowed the selection to five sites; we then contacted officials at the sites and obtained general information about the programs and their views on the importance of small employer participation. On the basis of their willingness to participate and their interest in obtaining small employer participation, we selected the North Tennessee Private Industry Council (NTPIC) in Clarksville, Tennessee, and The Private Industry Council (TPIC) in Portland, Oregon.

Selection of Sites From State-Funded Programs

Virtually every state has a program or a set of programs for economic development. Many states include employment training assistance as a primary part of their economic development strategy. In 1995, at least seven states funded their programs through mandatory levies on employers similar to employer payroll unemployment insurance taxes. These states were Alaska, California, Delaware, Hawaii, New Jersey, Rhode Island, and Texas. We obtained general information about these programs and their efforts to serve employers of all sizes. California operates the oldest and largest of these programs (which was developed in

[23]The Enterprise Council is a mutual effort of federal and state governments and local entities to promote quality EDWAA services. The criteria for selection to the Enterprise Council were superior performance based on customer satisfaction ratings and continuous improvement efforts, among other criteria. These criteria were based on those used by the Baldridge Award committee. This was an efficient way to narrow down the possible locations; the extent to which these programs are exemplary was not part of our review and is not significant for our analysis.

[24]Any participant who either completes the program or drops out of it is referred to as "terminated."

1982 with a fiscal year 1995 budget of $76 million). New Jersey's program is fairly new (created in 1992) and has a significantly smaller budget (about $20 million in fiscal year 1995). We selected California's Employment Training Panel (ETP) and New Jersey's Office of Customized Training (OCT).

Selection of Sites From Privately Funded Programs

Because no central information source exists for all privately funded training programs, we used as a proxy those employer apprenticeship programs registered with the Department of Labor's Bureau of Apprenticeship and Training (BAT). Although an employer is not required to register an apprenticeship program with BAT, in 1995, 355,000 apprentices were in training in 34,000 registered apprenticeship programs. To narrow down the selection of programs, we asked BAT officials to eliminate from that list any inactive, military, and single-employer programs, and programs in states where we had already selected federally funded and state-funded programs. We asked BAT to focus on the apprenticeship programs for those occupations that were among the top 25 apprenticeable occupations in 1995 (accounting for two-thirds of all registered apprentices). We also asked that the list identify union and nonunion programs.

We reviewed the resulting list and contacted a judgmental selection of programs to obtain program operation information, such as industry and geographic locations, number of apprentices, and the extent of small employer participation. Using these criteria, we selected a nonunion program operated by the Tooling and Manufacturing Association (TMA) in Park Ridge, Illinois, and a union program operated by the Employing Bricklayers Association of Delaware Valley (EBA) in Plymouth Meeting, Pennsylvania.

At each of these six sites, we obtained historical program funding and operation information and requested information from local program officials on the characteristics of employers and workers served and available outcome measures. During the visits to these six sites, we interviewed program administrators, those responsible for funding and overseeing the program;[25] a sample of the service providers, those who actually provided the training; and a sample of small employers that used the program in 1995.[26] We also requested information and referrals for

[25]For the federally funded sites, this also included the pertinent state JTPA administrations.

[26]We spoke with about 20 employers that ranged in size from 4 employees to 240 and represented many industrial sectors, including manufacturing, services, health care, and construction.

employers that did not participate in the program; only TMA provided that information. For the EDWAA and apprenticeship programs, we also obtained program information from Labor officials in Washington, D.C.

Findings From Literature on Small Employer Training Activities

Although our main objective was to obtain information on the extent of small employer participation in training programs, a related issue is the amount of training small employers provide. To obtain information on this, we reviewed many studies and interviewed experts and employers about their training activities. We found a consensus that small employers train with less frequency than larger employers[27] and that the training provided by small employers is often not adequate for their needs. In addition, when small employers did train, they often obtained training as a result of an outside source, such as a vendor or consultant, or possibly through an apprenticeship program. However, detailed analysis of these results is complicated because of several methodological differences.

For example, while most of the experts and literature agreed that small employers had a more difficult time training than did large employers, no consensus existed on what criteria defined a small employer. SBA reported that depending upon the industry or the issue being studied, definitions of small employer vary from those having fewer than 100 employees to those having as many as 500. The many studies we reviewed and our interviews with experts confirmed this. We decided to use employers with 100 or fewer employees for our definition of small employer for several reasons. First, much of the literature used 100 employees as a cutoff point for small employers. Second, experts noted that if an employer has fewer than 100 employees, it is less likely to have a separate human resources function and would therefore have more difficulties with training. Third, local program officials often considered small employers those with 100 or fewer employees. Although the lack of consensus on the definition of small employer makes it difficult to establish the size of a small employer, the lack of a precise definition is secondary to the broad agreement that employers of fewer than 100 workers have particular problems and needs regarding training.

Another term that lacked a standardized definition was training. Again, although experts generally agreed that training occurred more frequently

[27]The EQW survey found that training increased with the size of establishment, and the BLS survey found that virtually all large establishments provided at least some formal training to their employees in 1993, as opposed to 69 percent of establishments with fewer than 50 employees. SBA found in 1984 that employees in establishments with fewer than 100 employees were less likely to participate in any type of formal training program than were those in larger establishments.

in larger work places than in small, studies and experts referenced different kinds of training. Descriptions of training included formal (such as classroom training provided by an educational institution), informal (supervisory instruction at the work site), structured (classroom training at the work site), unstructured (ad hoc training for immediate needs), and OJT (training during the workday), which could be formal or informal, structured or unstructured. In many cases, the type of training was not defined in the particular sources, or, if defined, pertained only to that particular source. Furthermore, other sources defined training as related to specific goals, such as total quality management, workplace education, or safety and health regulations.

The three employer surveys illustrate many of these definitional differences. Each survey asked employers about training and generally found that larger work places provide more training than smaller work places. Differences in survey sampling frames and methodology, format, and scope, however, make a detailed comparative analysis difficult.

Regarding sampling frame and methodology, all three of the recent employer surveys were a sample of business establishments, which BLS defines as economic units that produce goods or services and are engaged predominantly in one type of economic activity. The use of establishments could be problematic because a small establishment could actually be part of a large employer or a fairly large establishment could actually be part of a relatively small employer. Finally, an establishment and an employer could be one and the same.

Moreover, the universes from which the samples of establishments were drawn differed, as did the sampling methodology. The sample for the EQW survey, conducted in 1994 and released in 1995, was drawn from Census' business establishment listing and included over 4,600 establishments with at least 20 employees. The survey omitted establishments with fewer than 20 employees and oversampled establishments in the manufacturing sector and those with 100 or more employees. The sample for the BLS establishment survey, conducted in 1994, released in 1994 but covering 1993, was drawn from BLS' business establishment list; it included almost 12,000 nonagricultural establishments. BLS included in its sample any establishment with at least one employee. Finally, the sample for the University of Kentucky study, performed under a grant from SBA in 1992 and released in 1993, was drawn from a database of about 9 million establishments held by a private firm in Fairfield, Connecticut. The sample included about 3,600 establishments, with an oversampling of larger

employers. Only about one-third, or 1,300 establishments, provided complete responses to the survey.

The surveys also had significant differences in their scope and format. The EQW survey was a phone survey actually conducted by the Census Bureau. It asked respondents about formal and informal training and precise types of training (such as literacy, basic education, or executive development training). It also asked about the use of outside sources of training, whether training has increased or decreased in the past several years, and the reasons for any such increase or decrease.

BLS' survey was a mail survey sponsored by Labor's Employment and Training Administration. This survey asked questions primarily on formal training, which BLS defined as training with a structured format and a defined curriculum, including OJT if it met this definition. The questions focused primarily on the incidence and frequency of six specific types of formal training: (1) orientation training, (2) safety and health training, (3) apprenticeship training, (4) basic skills training, (5) workplace-related training, and (6) job skills training. The questions generally did not cover the use of outside sources for training.

The University of Kentucky study was also a telephone survey conducted by the University's Survey Research Center. The purpose of the survey was to obtain information on training experiences of workers hired in the previous 3 months only. The questions focused on five categories of training activities: (1) on-site formal training, (2) off-site formal training, (3) informational management training, (4) informal coworker training, and (5) watching others perform.

Federally Funded Training: How Two EDWAA Program Sites Provide Services to Workers and Small Employers

The federal government provided about $20 billion for 163 programs that involved some aspect of training in fiscal year 1995. The largest of these programs, operated by the Department of Labor, was funded under JTPA. JTPA targets different types of populations of unemployed or underemployed workers, such as dislocated workers, who need assistance to return to the workforce. Although the JTPA program primarily targets workers, Labor officials said active employer involvement and participation in the programs are critical to their success. This appendix describes how two local organizations provide services to dislocated workers, their efforts to involve employers in the program, and how they measure program effectiveness.

Background on JTPA's EDWAA Program

Through JTPA, the Congress provides funding to assist workers who need help in finding stable employment. Title III of JTPA was designed to address the employment and training needs of dislocated workers—those workers who have permanently lost or would lose their jobs due to plant closures or layoffs.[28] In 1988, the Congress enacted the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA), which restructured the original title III to improve the quality and efficiency of the services provided to dislocated workers.

The EDWAA program provides dislocated workers a variety of services based on their particular needs, including retraining, support services (such as paying for day care services or transportation so individuals can attend training), or readjustment (job placement services). The goal of the program is to help eligible workers become reemployed as quickly as possible by considering their individual needs and circumstances. As such, in some instances, only readjustment assistance is required; in others, retraining is also required.[29]

States receive EDWAA funding from Labor according to a funding formula based on local unemployment trends and other factors. Governors then distribute the state funding according to several factors included in the legislation to local organizations in the state's substate areas that have been authorized to provide EDWAA services (called substate grantees). The

[28]Other programs operated by Labor that provide assistance to dislocated workers are not discussed in this report. For example, for the last 30 years, Labor has overseen the Trade Adjustment Assistance Act, which aids those workers who lose jobs due to foreign competition.

[29]This program should not be confused with the Employment Service, which is a state-run, federally funded service to provide employment services to individuals seeking employment and to employers seeking workers. The Employment Service does not typically pay for retraining of workers before placement.

governors can also use other factors in addition to those specified in legislation when allocating funds to local areas. In fiscal year 1995, the Congress appropriated about $1.2 billion for dislocated workers under EDWAA.[30]

JTPA established private industry councils[31] (PIC) to oversee JTPA activities in substate areas, though a great deal of flexibility exists in how services can be carried out at the local level. Of the 616 substate grantees, over half are state or local government agencies, about one-fourth are incorporated PICs,[32] and the remaining grantees are other organizations such as educational institutions or nonprofit associations. The program allows grantees to provide services in house, contract them out to a third party, or do a combination of both. In addition, the grantees have the authority to determine whether they will provide certain services.[33]

Regarding funding, however, the program does restrict local organizations' allocation of funds. According to the law, grantees must spend at least 50 percent of the funding they receive on retraining, although substate grantees can request a waiver from the governor to reduce the funding directed to retraining. No more than 25 percent can be spent on needs-related payments and other support services, and no more than 15 percent can be spent on program administration.[34] Depending on the actual allocation decisions, the remaining funds are then spent on basic readjustment services (which include job placement activities). With the beginning of the program year that started on July 1, 1995,[35] states can

[30]About 80 percent of this funding was provided, through the formula mentioned above, in block grant form to states. The remainder, about $243 million, was provided by Labor to states, localities, or other entities for special projects to serve dislocated workers who lost their jobs due to plant closures, mass layoffs, defense downsizing, or other unexpected events; for demonstration projects; or for technical assistance training. The premise of this portion of EDWAA, called the National Reserve Account, is that states may not have adequate formula funds to serve workers affected by unexpected events.

[31]According to the law, private industry councils should have representatives from the private sector, organized labor and community-based organizations, educational agencies, vocational rehabilitation agencies, public assistance agencies, economic development agencies, and the public employment service. The statute requires that private-sector representatives be in the majority.

[32]An incorporated PIC operates as a nonprofit 501(c)(3) entity.

[33]For example, although EDWAA predominately funds training for dislocated workers before they become reemployed, it makes allowances for employers to provide training under certain circumstances. If employers are willing to hire dislocated workers and train them on the job, the employers can be reimbursed for many of the costs associated with this OJT. The substate grantee can decide whether to offer this service.

[34]These requirements differ for the funding provided under the National Reserve Account.

[35]Labor is authorized funding on a fiscal year basis but distributes and spends program funding on a program year basis. A program year is the 12-month period from July 1 of one year to June 30 of the next year. Program year 1995 started on July 1, 1995, and will end on June 30, 1996.

now completely waive the retraining and support services limitations in special situations.

EDWAA Participant Information

In program year 1993 (the most recent year for which data are available), about 300,000 workers participated in the EDWAA program. About 164,000 terminated from the program (left the program for any reason), and about 112,000 obtained employment. This resulted in an entered employment rate (the percentage of individuals placed in jobs from the number who terminated from the program) of 68 percent.

About three-quarters of those terminated were white and between 30 and 54 years old. About half were men, and most had at least a high school diploma or its equivalent. Almost 60 percent of those terminated received retraining before leaving the program. Most of this training was occupational skills training done in a classroom; very little was through OJT.

According to federal and local program officials, employers are generally not required to provide paperwork or meet other requirements to hire a dislocated worker who has gone through the program. Local grantees may establish criteria for employers to meet, such as certain wage levels or minimum levels of benefits. The only mandated exception would be if an employer wanted to take advantage of the OJT part of the program. In these cases, employers must comply with detailed requirements and procedures to be reimbursed for part of the costs incurred by the employer during the training period.

Background on Program Sites

For the case study sites, we visited two grantees that had been selected by a group formed of federal and state governments and local entities as providing superior services to dislocated workers.[36] The grantees selected were the North Tennessee Private Industry Council (NTPIC) in Clarksville, Tennessee, and The Private Industry Council (TPIC) in Portland, Oregon. (App. I contains detailed information on how these two sites were selected.)

[36]This group is the Enterprise Council, which is explained in app. I. We used the Enterprise Council listing as the basis for our case study selection because it allowed us to quickly narrow down the over 616 sites that are responsible for managing programs at the local level. In this review, however, we did not assess the quality of the services provided to dislocated workers.

North Tennessee Private Industry Council

NTPIC is one of 14 substate grantees in Tennessee. Incorporated as a nonprofit, private organization in 1992, NTPIC has a staff of 55 responsible for providing services for EDWAA, other JTPA, and selected federal programs for 11 counties in the state. Because of the geographic distance covered, NTPIC staff work out of 11 centers, one located in each of the 11 counties. Each center has at least one caseworker; a center may have several caseworkers depending on the size of the county and the number of participants. NTPIC provides the majority of the EDWAA services and uses local educational institutions to provide classroom training. NTPIC officials said they believed that providing most of the services in house was most efficient because it allowed them a greater sense of program ownership and responsibility for the participants and to stay abreast of local labor market needs.

According to Tennessee state Labor and NTPIC officials, the Tennessee economy has been fairly healthy for the last several years, with unemployment about 5 percent as of September 1995. It has pockets of high unemployment, but officials noted that Nashville and Memphis are especially strong in the services industry; other parts of the state are strong in manufacturing. Although some major employers have shut down operations or left the state, Tennessee's manufacturing sector is now expanding with the building of several automobile plants.

In program year 1994, NTPIC received about $946,000 for the EDWAA program. It served about 388 participants—primarily white females, aged 21 to 39, who had some high school education. Program officials said that this was because Tennessee had a number of "cut and sew operations"[37] that closed. During the year, NTPIC terminated about 147 participants, placing 135 for an entered employment rate of about 92 percent.

The Private Industry Council

TPIC is one of six substate grantees in Oregon. Formed in 1987 from two other incorporated PICs, TPIC is a private, nonprofit organization with a staff of 80 to administer EDWAA and other JTPA services for two counties in the state. TPIC contracts out most of the participant-related services to a local community college, which oversees and is part of the Dislocated Worker Project (DWP). DWP is a partnership of five community agencies (two community colleges, the Urban League, Labor's Community Services Agency, and the local employment service) and TPIC. TPIC administers the DWP contract, monitoring the funds and collecting and reporting program

[37]"Cut and sew operations" refer to piecework operations for apparel manufacturers.

data.[38] TPIC officials said that they believe contracting out these services is efficient because it allows for greater leveraging of resources and economies of scale for training costs. It also allows TPIC to take care of the administrative requirements associated with the program and let the community agencies concentrate on providing the services.

Like Tennessee, Oregon also has had a fairly low unemployment rate for the last several years—about 3.4 percent as of November 1995—with some pockets of high unemployment. Officials noted that Oregon is now starting to experience growth in the health care and computer-related industries. In program year 1994, TPIC provided about $1.7 million in EDWAA funding for the DWP contract.[39] Through this contract, TPIC served about 724 participants, who were fairly equally white males and females, aged 22 to 54, with a high school diploma or equivalent. TPIC officials said this population was dislocated from a number of industries. During the year, NTPIC terminated about 510 participants and placed 388 for an entered employment rate of 76 percent. TPIC officials said that the composition of dislocated workers is now changing. Not only has TPIC recently started to focus on the long-term unemployed, but it is also finding that workers with low skill levels and language barriers are making up a greater portion of the dislocated population.

Service Delivery at the Two Program Sites

Federal Labor and program officials at the two program sites said that dislocated workers generally follow similar procedures to receive services,[40] although the particular procedures and services offered vary by location.[41] As previously discussed, however, local organizations providing services under EDWAA are generally mandated to devote most of their funding and available resources to worker retraining and support services payments. Readjustment, which includes job placement and other activities involving employers, often receives relatively less funding. Officials at both program sites said they would like greater flexibility in

[38]TPIC officials said they keep 7.5 percent of the funding for their administration and pass on the remaining 7.5 percent to the local community college that oversees the DWP to stay within the 15-percent administration limit.

[39]This figure does not include TPIC's administrative costs for overseeing the contract, nor does it include any additional funding TPIC received through the National Reserve Account.

[40]The following discussion refers primarily to the delivery of services under the block grant formula portion of the EDWAA program. The procedures may differ under the National Reserve Account funding.

[41]Last year, Labor provided about $5 million in grants to 11 local organizations to encourage the use of job brokers or consortia to better link employers to trained workers.

spending so they could appropriately serve each participant rather than be limited by spending restrictions.

How Workers Access EDWAA

A worker may access EDWAA in several ways, either through an employer, a local Unemployment Insurance (UI) office (if the person is currently receiving UI), or other sources. TPIC officials said that since they are trying to reach the long-term unemployed, the DWP partners are also supposed to obtain names of individuals on UI or other public assistance rolls and contact them to determine their eligibility for EDWAA. In addition, TPIC officials said their program has established relationships with local community agencies so that these organizations can refer potentially eligible individuals to TPIC.

To be eligible for EDWAA, a worker must have received a termination notice, currently receive UI, or have exhausted his or her UI benefits. At both of the sites that we visited, PIC staff make eligibility certifications. At NTPIC, the staff use an automated certification process, which determines immediate eligibility; this is available to workers at any of NTPIC's 11 county centers. At TPIC, staff can immediately certify someone's eligibility at one of DWP's three centers.

Assessment and Job Training Assistance Provided to Workers

Once certified as eligible, program staff test a worker's skills and interests, and a caseworker determines what services are needed to find the worker employment. At both of the program sites we visited, workers are tested for math, basic language skills, and career preferences. At NTPIC, these services are provided by caseworkers at 3 of the 11 centers. These tests take about 4 hours and are part of a 2-week transition class. EDWAA participants are not required, however, to participate in the entire class. At TPIC, assessment and related services are provided by the DWP partners at any of the three centers as a part of an 8-day transition class. TPIC officials said the class provides stress reduction techniques and other assistance to the dislocated workers; however, officials are considering shortening the length of the class.

On the basis of these test results, the participant, in consultation with a caseworker, decides upon a strategy for getting work. At NTPIC, program participants can work with any of 20 caseworkers located among the 11 centers. The participant and the caseworker develop an Individual Service Strategy (ISS), which lists the participant's current and desired skills and states how those skills will be developed (for example, whether significant

retraining is required). Both the participant and the caseworker sign the ISS; according to NTPIC officials, this helps the participant take the program and training seriously. TPIC's DWP caseworkers work out of the three centers discussed above. The participant and the DWP caseworker develop a training action plan, which is similar to the ISS. TPIC also requires that, before making a decision about skills to be obtained, the participant conduct informational interviews with three employers to determine whether the skills to be obtained will make him or her more employable.

If the participant requires classroom training to find employment, he or she will consult with the caseworker on training options. At both of these sites, most classroom training is provided by local educational institutions such as community colleges or vocational schools. These educational institutions are supposed to offer training for high-demand occupations, the determination of which should be based on analysis of available labor market information and, in some cases, business advisory committees. At NTPIC, a participant may attend any 1 of 18 local educational institutions. At TPIC, the participant may attend any institution, as long as the institution meets TPIC's approval and it offers training in high-demand occupations. Program officials at both sites said that, although the caseworker provides input into this decision, which school to attend is ultimately the participant's decision. If necessary, NTPIC staff teach classes for achieving a high school diploma, basic skills, or office skills training. NTPIC officials said that they had to offer this training because it was either not available or affordable for their participants from other local institutions.

In cases where training may not be available immediately, NTPIC also tries to enroll participants in "pretraining" classes for computer or office skills. Often these classes are taught at NTPIC's main office by NTPIC staff who are pulled off line to teach them. NTPIC program officials said that this is very important to do so that participants do not drop out of the program before training begins. NTPIC officials also noted that, because of the geographic area covered by NTPIC, it operates a van to transport participants to and from the assessment and, if possible, training. In addition, TPIC's DWP partners offer basic computer classes to provide immediate access to training.

Throughout the classroom training, caseworkers monitor the participants' progress through grade or other reports submitted by the educational institutions. The service providers we met with did not believe that these monitoring requirements were onerous.

Employers Must Comply With Significant Requirements to Provide Training

The EDWAA program allows employers to provide OJT to a dislocated worker instead of or in addition to classroom training.[42] If OJT is determined to be appropriate for the participant in his ISS or similar assessment, the caseworkers may contact an employer and ask that employer to hire the participant and provide training. In this case, the employer could be reimbursed for up to 50 percent of the participant's wages during the training period (which should amount to 499 hours or 6 months). To participate, the employer must complete an OJT training agreement, which specifies, among other things, what training is to be provided, the duration of the training, the number of participants to be trained, wage rates to be paid, the rate of reimbursement, and a description of what the participant will learn. The EDWAA regulations stipulate that the employer must maintain and make available time and attendance reports and other records to support amounts reimbursed under these contracts. If an employer wanted to hire a specific individual and train him through OJT, the employer would have to contact the site providing EDWAA services and request this option; in that case, the site would conduct an assessment to determine whether OJT was appropriate. The employer could not hire the individual until this assessment was completed and it was determined that OJT was appropriate.

Federal Labor officials said it is up to the local site to determine whether OJT is beneficial for the program participants. They said OJT provision depends upon the local labor market and whether OJT is the best way to get dislocated workers back to work. NTPIC officials said they believe OJT is one of the best ways to do training, since the employer is training the employee as needed. Last year, however, NTPIC only had two OJT contracts under EDWAA; officials said the significant amount of information the employers must provide and the detailed procedures they must follow discourage employers from participating in this aspect of EDWAA. On the other hand, TPIC officials believed that OJT was not necessary for dislocated workers. Although TPIC allows OJT under EDWAA, TPIC staff do not actively market it to employers, and no EDWAA OJT contracts were let last year.

According to documentation provided by NTPIC officials, to participate in OJT, employers must provide significant amounts of information about their operations, such as the services they provide, the number of employees on board, their layoff status, their workers' compensation insurance policy information, any previous experience with OJT under this program, a written job description of the position for which the training

[42]If an employer wishes to do OJT after the participant has completed some training, the OJT must not duplicate the skills learned in the classroom training.

will be provided, and the grievance procedure available to workers. The employer also must be willing to allow a tour by NTPIC officials to assess the training site. The employer must also meet other criteria to be allowed to provide the training, such as a minimum wage for the trainee (between $5 and $7 an hour).

Federal Labor officials said that accountability is very important in this aspect of EDWAA because traditionally employers have misused programs that provided them funding to train specific populations of workers. They said that states and local programs, however, often develop more requirements for OJT than are federally mandated. We spoke with several employers who had hired EDWAA participants in the last year. None of them were aware that they could be eligible for wage reimbursement under the OJT part of the program.

Job Placement Assistance and Follow-Up Provided to Participants

Before completion of the training (and after assessment if retraining was not required), caseworkers start to work with the participants to prepare them for reemployment. The actual activities the caseworker conducts vary by participant and location but may include assistance with resume writing and interviewing, providing participants with job leads, or setting up interviews for them. NTPIC and TPIC officials said that, typically, dislocated workers are very assertive in looking for jobs; as a result, they may need less job placement assistance than other unemployed individuals. The participants we spoke with who had received training through these programs agreed; they said that they had found their current jobs through classified ads and not through direct referrals from caseworkers.

Once a participant has been placed, the NTPIC and DWP caseworkers continuously monitor the participant for up to 6 months after termination. Thirteen weeks after a participant has been hired, TPIC staff send the participant a survey to obtain job and wage information and ask about the quality of services provided. At NTPIC, the caseworkers contact the individual and request similar information. In Tennessee's program, the University of Memphis follows up with the participant after 26 weeks. TPIC officials said they are considering instituting a 1-year follow-up because a 13-week follow-up is often not a good indicator of long-term employment. Normally, the staff do not contact the employer who hired the participant. The small employers that we interviewed who had hired EDWAA participants said no one had contacted them about EDWAA participants.

Participation by Small Employers

Federal and state Labor officials as well as local program officials we interviewed said a strong relationship with employers was critical to the program's success. In addition, the establishment of PICs to provide policy direction and oversee the program on the local level and the requirement that business representation make up most of the PIC clearly point to the importance of the employer for a successful program. Other than PIC representation, however, the law says nothing about how the local organizations should work with employers in this program and places no emphasis on small employers. Moreover, the EDWAA regulations mandate that most of the resources be spent on workers' rather than employers' needs. This along with the significant flexibility allowed at the local level make it difficult to determine whether the local efforts to involve employers are effectively reaching small employers.

Minimal Data on Employers Served

Data are not routinely collected at the national or local level on the characteristics of the employers served through EDWAA. For the sites we visited, we requested a review of program records for program year 1994 to provide information on the employers who had hired EDWAA participants. According to officials at both sites, they do not specifically target small employers because most of the employers in these geographic locations are small. Employer data provided by NTPIC indicated that about 44 percent of EDWAA placements in program year 1994 were to employers with fewer than 100 employees. Program staff at TPIC could not provide comparable data but believed that most of TPIC's placements were to small employers.

Officials Said Many Efforts Are Made to Involve Employers in Program

Officials at both of the local program sites emphasized the activities they undertook to inform employers about EDWAA services, such as meeting with local Chambers of Commerce or other business groups. At NTPIC, the director noted that the decentralized organization of the caseworkers allows it to maintain close relationships with local businesses. In addition, NTPIC tries to hire local individuals to staff the county centers, believing that these individuals better understand local labor market needs. NTPIC also offers various services, such as stress management and drug testing, for a fee to employers. These services provide funding for additional services (such as the van), and they also help NTPIC inform employers of its job placement services.

At TPIC, officials stressed the employer involvement they achieved through the use of the DWP partners. For example, the Urban League has strong ties

to local employers, and the use of the Urban League for EDWAA services takes advantage of that relationship.[43] Officials also said that they have a Dislocated Worker Committee consisting of business representatives; this committee monitors the program and ensures that it meets the needs of local employers. TPIC also encourages its DWP partners to establish Business Advisory Committees, which review the training curriculum and help ensure that the appropriate skills are provided.

The program sites also carry out individual job placement activities, which vary depending upon the needs of the participants and the views of the local organization. At both sites we visited, caseworkers said that they review newspaper ads for possible job leads for participants. Sometimes they call the employers to see what kind of skills the employer is looking for. Or, employers may call the caseworkers to request possible candidates.

At NTPIC, caseworkers maintain requests from local employers for job applicants. One caseworker said NTPIC wanted employers to view it the same as any other employment agency. At TPIC, the DWP partners are required to hold job fairs and contact employers, but the participants are expected to do the majority of the job search. Program officials said they emphasize a "self-directed job search" approach that focuses on providing participants the tools they need to find jobs on their own rather than find them jobs. According to the TPIC director, this is because the goal of the program is to help these individuals obtain self-sufficiency and skills for gaining long-term employment. TPIC officials believed such an approach was the most efficient for most dislocated workers.

Small Employers May Not Be Fully Aware of Program

Despite the sites' efforts to involve employers in the program, the small employers we interviewed who had hired EDWAA participants lacked knowledge about this program or had negative opinions about federal training programs in general that appeared to limit program participation. Most of the employers we spoke with were generally not aware of the EDWAA program and, as a result, did not actively seek EDWAA participants for job openings. In one case, the employer knew about EDWAA because the employer provides classroom training at its location in which EDWAA participants occasionally take part. This employer said that the EDWAA

[43]The Urban League has an Employer Partnership Program in which employers pay a fee to receive job screening and referral services from the Urban League. In return, employers must devote a portion of their time to teach classes at the Urban League and participate in the informational interviews required of EDWAA participants. We determined that most of the employers involved in this program had more than 100 employees and therefore were not considered small employers for this analysis.

participant hired was in one of these classes; the employer does not routinely contact the EDWAA program for job candidates. In several other instances, the employers knew that the workers they had hired had received training at a local educational institution, but they did not know the federal government provided funding for the training. As a result, they also did not actively seek EDWAA participants through these programs.

Most of the employers we spoke with, however, knew nothing about the program before hiring a participant and in most cases not even after they had hired a participant. Generally, the employers said they had hired the participants from the individuals' response to a newspaper ad. In a few cases, the employers did find out about the program after hiring the participant. One employer said he wished he knew of more qualified candidates from this program because he would hire them. He had not contacted program staff, however, nor had they contacted him about additional participants. The other employers, however, did not know that the person they had hired had received training through this program. In fact, one employer who had been trying to work with the local community college to set up a training program for new workers said he wished he knew more about the program.

Many of these employers had strong negative opinions about the quality of federal training programs. These opinions prevailed even though all of the employers said they were very pleased with the quality of the EDWAA participants they had hired. One employer noted that the training provided in federal programs takes too long. His staffing needs are much more immediate, and he cannot wait 6 months to a year for a trained worker. Another employer said he thought larger employers, who do not need as much help with training, seem to get all the attention. In addition, other employers said they believed that participation in these programs required applications of various kinds or other information that they did not want to provide. Finally, employers questioned the effectiveness of the training provided in these programs and the adequacy of program participants' skills.

NTPIC officials said they believed they should do whatever they can to inform employers of the program. However, the current spending limitations make it difficult to provide adequate services to participants and employers simultaneously. Most of NTPIC's current EDWAA participants need a great deal of basic support services. This means that relatively fewer resources can be devoted to readjustment (job search and placement-related activities) because funding restrictions in the law

require that a certain amount of the funding be spent on retraining. NTPIC officials said they would like additional flexibility not only to provide participants with the particular services they need, but also to carry out additional activities to inform small employers of the program.

TPIC officials said small employers' low awareness of the program attested to the strength of the self-directed job search they advocate for the EDWAA participants. Furthermore, they said participants often do not want prospective employers to know that they received training through a federal training program and this should be respected. Officials said that they did not believe reaching small employers was a problem; if the employers were pleased with the EDWAA participants, then the program was successful. They noted that they perhaps would do more overall marketing of the program if they had additional funding but were not sure how these activities would be funded under the existing spending limitations.

Measures of Program Effectiveness

Labor has few mandated program performance requirements that local sites must meet to continue to provide EDWAA services. Both of the program sites we visited used, or were in the process of developing, additional outcome requirements that they believed were more accurate indications of program effectiveness than federally required measures. Most of these indicators were participant focused rather than employer focused. In addition, Labor's direct monitoring of the program is minimal; instead, it depends on the states to evaluate program effectiveness at the local level. State JTPA officials said they also allow local organizations great latitude in operating EDWAA.

Federally Required Performance Standards Are Minimal

JTPA requires that each state submit a job training plan every 2 years that lays out EDWAA and other JTPA program goals and the activities to be done to meet those goals. Local and state program officials that we spoke with questioned the effectiveness of these plans because events change dramatically in a 2-year period and ensuring that these plans reflect those changes is difficult. The only performance standard for EDWAA is an entered employment rate, which Labor has set at 67 percent. At the

national level, this has been achieved for the last several years.[44] According to Labor officials, the lack of program performance measures is due to the emphasis on performance measures and program activity for Labor programs that target other types of unemployed workers, who are more difficult to reemploy.

For national reporting purposes, Labor also collects program information. These program and budget data are routinely collected by the state agencies for transmittal to the federal Department of Labor.

States Have Developed Additional Program Measures

The program sites in our study, as well as the states, were trying to use additional measures to assess program performance. Tennessee officials said that the state is developing outcome measures for all state Labor programs. Meanwhile, NTPIC uses placement wages and continually increasing placement rate goals for the caseworkers to meet; salary increases for NTPIC caseworkers are tied to these placement rate and wage goals. Furthermore, NTPIC tries to ensure that participants reach at least 75 percent of their prior wages within 2 years of being reemployed. NTPIC also does a customer survey, which, along with the follow-up by the University of Memphis, helps NTPIC track program participants' success. NTPIC does not currently survey employers served through the program.

Oregon has also instituted additional measures to monitor the success of EDWAA. The state recently instituted a goal that dislocated workers reach 90 percent of their prior wages within 2 years of reemployment. In addition, TPIC's DWP contract specifies particular characteristics of individuals to be targeted, served, and placed and the wage level acceptable for placement. The contract also requires an 80-percent entered employment rate, which is higher than the Labor requirement. The DWP contract also includes general objectives to be met, such as expanded recruitment, increased earnings recovery and high wage placement, expanded participant choice of services and training, reduced unemployment time, improved geographic access to services, increased employer involvement, and improved evaluation capacity. As previously stated, TPIC officials are also considering doing a 1-year follow-up with participants. TPIC does survey participants to assess their satisfaction with

[44]The entered employment rate is the percentage of participants placed in jobs out of the number who terminate the program. Those who complete the program or drop out are considered terminations. In other words, a participant who drops out of the program and gets a job unrelated to the training received is counted as a placement. At this time, Labor has no information on the extent to which placements relate to training received. In addition, Labor does not track the number of EDWAA terminations that are completions or drop outs.

the services provided; although it has discussed surveying employers served through the program, it has not yet developed this survey.

Federal and State Monitoring Is Minimal

Most monitoring of the EDWAA program is done by the state, according to federal Labor officials. Typically, however, the state is not involved in local sites' day-to-day operations and gives them great latitude. State JTPA officials said the states conduct yearly monitoring reviews. Tennessee JTPA officials said they provide technical assistance and get involved only if the site has problems. Otherwise, they believe the local organizations know how best to run the programs. Oregon JTPA officials agreed, saying that because they respect local control, they do not get involved in contract monitoring or service delivery issues. Officials at both of the local program sites agreed, saying that the activities of their state administrations were helpful when needed but, generally, the state did not interfere with local operations.

State-Funded Training: How Two State Training Fund Programs Serve Small Employers

Almost every state operated one or more economic development programs as of 1995. These programs often provided funding for employers to provide customized training to their existing workforces and in some cases to new hires on the premise that a skilled workforce is a major part of job retention and overall economic development. As of 1995, 47 states provided over $350 million for training programs where employers retrained their existing workers and in some cases trained new hires. Typically, these programs were funded from general revenues; seven states, however, funded their economic development programs through mandatory employer payroll taxes. To participate in these programs, employers often must meet specific criteria and comply with rigorous administrative and other program requirements. The funding received, however, can be quite significant and is a strong incentive for employers to comply with program requirements. In addition, some states have developed ways to make these programs more accessible to small employers. This appendix describes two state programs that serve small employers, the efforts they have made to foster small employer participation, and how they measure program effectiveness. These programs are California's Employment Training Panel (ETP) and New Jersey's Office of Customized Training (OCT). (App. I describes how we selected these two programs.)

California's Employment Training Panel

The California State Legislature created ETP in 1982 during a period of economic recession, high unemployment, and declining resources for employment training. At the time, ETP was chartered to foster job creation by funding projects that provided training to UI claimants or those who had exhausted their UI benefits. In 1994, new legislation tied ETP more closely to economic development. While creating high-wage, high-skill jobs remained a priority (for example, the hiring and training of dislocated workers), ETP now was to emphasize job retention by funding training projects to retrain employed workers. To qualify for retraining funds under ETP's regular requirements,[45] employers must face out-of-state competition and need retraining to (1) prevent layoffs of current employees because of changes in technology, (2) become a high-performance work place, or (3) diversify the production of goods or services. ETP places priority on training projects that train employees in high-wage,[46] high-skill, front-line positions and for businesses employing 250 or fewer full-time workers.

[45]ETP also has a Special Employment Training category, which allows funding to be provided to employers that do not meet the standard eligibility criteria for job creation and retention.

[46]In fiscal year 1995, the average wage paid to retrainees (current workers) was $15.38; the average wage paid to new-hire (dislocated workers) trainees after training was $9.44.

Perhaps because of the shifting program focus, ETP has also shifted its emphasis from employers in nonbasic service industries, such as the retail industry, to basic industries, such as manufacturing. For example, in fiscal year 1994 (the latest year for which data are available), employers in manufacturing received half of ETP training project funds, as shown in table III.1.

Table III.1: Industries Served by ETP Projects, Fiscal Year 1994

Industry	Percent of ETP-funded training projects
Manufacturing	50
Services	30
Finance	8
Retail and wholesale trade	3
Construction	2
Transportation	2
Agriculture	1
Other	4
Total	**100**

Source: ETP.

In each of the last 2 fiscal years, about 200 training projects were completed. In fiscal year 1995, training projects ranged in size from $6,000 (which trained 5 workers) to over $2 million (which trained nearly 1,200 workers). The average training project completed in fiscal year 1995 cost $212,000 and trained 28,101 workers at an average cost of about $1,700 per worker.

Financing

ETP's enacting legislation instituted an Employment Training Tax to fund ETP activities and training projects. This tax required that each private, for-profit California employer pay 0.1 percent of the first $7,000 of wages of each employee subject to UI taxation, which equals an annual maximum of $7 per employee. Meanwhile, employer contributions to the UI fund were reduced by the same amount imposed by the tax. Most of this funding is used for training projects; ETP is allowed, however, to keep a portion for program administration and such activities as marketing and evaluation.

Originally funded at about $72 million and at about $91 million in fiscal year 1993, ETP's fiscal year 1995 budget was $76 million.[47] Although ETP funds have decreased, applications from employers seeking training funds have increased. In the past several fiscal years, ETP has committed all of its available training funds. For example, as of January 1996, ETP had committed 90 percent of its available training funds for the year. To extend resources, in January 1996, ETP imposed matching requirements on retraining projects.[48]

New Jersey's Office of Customized Training

OCT was created in 1992 as a part of the New Jersey Department of Labor's Workforce Development Partnership Program. OCT was created because existing local employment training programs were inadequately emphasizing training for front-line workers. OCT's goal was to fund employer-driven training to help develop a highly skilled, highly productive workforce enabling New Jersey businesses to compete globally. OCT funds training projects that (1) create high-skill, high-wage[49] jobs; (2) prevent the loss of high-skill jobs; or (3) upgrade workers with obsolete skills due to technological change or national or global competition. OCT's enacting legislation stated that employers receiving OCT funds must demonstrate that most of the workers to be trained work primarily in the direct production of goods and services. As a result, mostly manufacturing firms receive funding for training projects. In fiscal year 1995, OCT issued $20 million for 75 training projects involving 132 companies with an average training project cost of about $270,000.

Financing

OCT's enacting legislation created the Workforce Development Trust Fund, which funds OCT activities. The fund is financed through employer and worker UI contributions. Employers contribute 0.1 percent of UI taxable wages, and .025 percent of worker UI contributions go to the fund. When the legislation was enacted, employer and worker contributions to the UI fund were reduced by the same amount collected for this fund.

OCT's budget has remained fairly constant since its first full program year (at about $18 to $20 million), and it received about $20 million for fiscal

[47]One of the major reasons for ETP's recent funding decline is that its funds have been reallocated to other programs. For example, during the last several fiscal years, $20 million has been transferred to the California Greater Avenues to Independence program.

[48]This matching requirement means that employers with 251 or more employees must pay 35 percent of the total costs of the training project, though employers with 250 or fewer employees must pay 10 percent of the total project cost.

[49]For a job to qualify as a high-wage job, the employer has to pay a minimum wage of at least $10 per hour.

year 1995 operations. To participate in OCT, employers must contribute the equivalent of 40 percent of the total training cost. An employer's portion of a training project may include in-kind contributions, such as the cost of trainee wages, equipment, supplies, or space. Employers have typically contributed more than 40 percent.

Service Delivery at the Two Programs

Both of these state programs aim to meet their objectives by working directly with the employer community; that is, they work with employers to encourage the training of existing workers and, in some cases, new hires. Although neither of these programs provides training instruction, they receive and review employer requests for training funds, work with employers to assess training needs, provide training funds, and ensure that worker training is appropriate. Both programs require a significant amount of employer involvement; employers typically define their own training needs, develop the type of training plans they feel are best, and select the training vendors. In addition, to participate in this program, employers or groups of employers working in conjunction with unions or other entities (called consortia) must adhere to significant administrative and other program requirements. Program officials noted that such requirements are mandated by the program legislation for accountability purposes.

ETP Requires Detailed Information From Employers for Participation

If employers or groups of employers or other organizations acting on behalf of employers (consortia) wish to receive ETP funding for training, they must comply with rigorous program requirements. They must apply directly to ETP and, in the application, provide information on the (1) main activity of the business or businesses involved in the training project; (2) reason for training funds; (3) type of training to be done and the number of trainees; (4) approximate cost of the training project, including administrative expenses; and (5) career potential and substantial likelihood of long-term job security offered by the employer(s) involved in the training project. Once the application is completed, applicants may have to appear before ETP's eight-member governing board,[50] which makes the decision to fund a proposed training project (if the project is $100,000 or more).[51] Program officials said the application process takes about 5 months to complete.

[50]Legislation established that ETP be governed by a panel of eight members representing business, management, labor, and government officials appointed by the governor, the speaker of the assembly, the president pro tempore of the senate, and an ex-officio voting member appointed by the Trade and Commerce Agency. Panel members meet monthly to approve training projects and to discuss and set panel policies.

[51]If the training project is under $100,000, ETP's executive director makes the approval decision.

ETP allows the employers to provide training directly or to contract it out to another organization. It also requires employers to sponsor worker training during normal work hours. Allowable training may include a combination of classroom, laboratory, and structured on-site training of at least 40 hours. The training provided under ETP projects has included training in areas such as office automation, management skills, statistical process control, total quality management, customer service, and production technique courses.

Small employers we interviewed who were participating in this program said these paperwork requirements were quite burdensome because of the level of detail required and the great deal of time required to complete the application. This did not discourage the employers from participating, however, because they recouped these costs in the training funds ultimately provided. They said other small employers may not be willing to endure the process to receive the training funds, however. Program officials acknowledged that the amount and detailed nature of the information required may discourage small employers from participating in the program because they may not want to spend the time necessary to apply for the funding, even though they may recoup their costs in the end. ETP officials said that about 37 employers terminated their ETP training projects in fiscal year 1995 because of the amount of information required to participate in the program and the length of the application process.

Some employers noted also that the requirement to provide training during normal work hours was a problem. They either had problems getting their workers to take time away from their duties to attend training or having them in training during normal work hours was too costly.

OCT Requires Substantial Employer Input for Acceptance

Like ETP, OCT requires single employers or groups of employers acting like consortia to apply directly to OCT for training project funds. OCT's mandate is to focus on projects that will (1) substantially enhance workers' skills and earning power, (2) prevent job loss, (3) not replace or duplicate approved apprenticeship programs, and (4) not result in trainees' displacing current workers. Program officials said, however, that the program is very flexible about decisions made on the types of training projects funded.

According to OCT's guidelines, training may be provided by the employers directly or be contracted out to another organization. Like ETP, OCT encourages employers to allow training to take place during normal work

hours. Typically, OCT-sponsored training occurs at the work place with some classroom instruction. The training funded by OCT has included technical instruction, remedial education, and occupational health and safety. In general, participating small employers we spoke with did not believe the requirement to allow training during normal work hours was a problem. Furthermore, a consortium official said that training during work hours shows employer commitment, which is essential for program success.

To apply, employers must prepare a two-part application. The first part requires that applicants describe (1) the training-related problems experienced by the employer(s) involved in the project; (2) how the proposed training will address the problems; (3) the impact if state financial assistance is not provided; (4) the type of training proposed, the trainer, and the number and type of trainees; and (5) an estimate of the total training cost. If the first part is approved by OCT staff, applicants then submit a second part, which requires a more detailed training plan, a line-item budget explaining all training-related costs, and the employer's overall human resource objectives. OCT staff provide technical assistance to help applicants prepare the second part of the application. This part of the application is then reviewed by OCT staff; the director of the Workforce Development Partnership program; and the assistant commissioner, deputy commissioner, and commissioner of New Jersey's Department of Labor. In addition, staff from the New Jersey Department of Education review the qualifications of the proposed trainer. Program officials said the entire application process can take 6 months or more.

As in ETP, some small employers that participated in the program said the amount of information required and the time it took to complete the application were costly and burdensome. One employer said the entire process took over 2 years from start to finish and over a year for the application process alone.

Employers Must Meet Other Requirements During Training Period

During the training projects (which usually last 2 years for ETP and 1 year for OCT), program staff routinely visit the employers to monitor project activities. For these visits, employers must provide information such as the following for program review: training schedules, curricula, record-keeping procedures used, daily documentation of training, wage invoices, and subagreements. In addition, program staff may interview the trainers and trainees; observe a training session; and ensure that budgeted

and required training staff, equipment, supplies, and materials are available.

OCT also requires employers to prepare a close-out report and an impact statement. The close-out report compares what was planned for the training project—such as enrollments, job creation, and job retention—with the actual figures. The impact statement is prepared 6 months after training and describes the training project's impact on overall operations.

Additional Requirements Tied to Receipt of Funding

ETP requires that a trainee complete training and a 90-day employment retention period before it reimburses an employer. Employers, however, may elect to receive progress payments. For example, employers are reimbursed 25 percent of the training cost when trainees are officially enrolled in the training courses, another 50 percent when trainees complete the training, and the final 25 percent when trainees have been retained in the jobs for which they were trained and at the agreed-upon wage for at least 90 days.[52]

OCT reimburses employers for their costs throughout the training project, although these payments have no set schedule. Generally, the employers are reimbursed when they submit invoices to OCT, but employers do not receive their final reimbursement until they complete the close-out report.

Two Programs Have Significant Small Employer Participation

These programs were designed to work with employers for economic development purposes. As such, officials at both programs acknowledged that small employers are an important part of the program. In 1994, ETP's mandate was amended to focus on employers with 250 or fewer employees. In fiscal year 1995, 72 percent of the employers served through ETP projects employed 100 or fewer employees. In fiscal year 1995, about 48 percent of the employers served through OCT projects had 100 or fewer employees.

Use of Consortia to Foster Small Employer Participation

Program officials at both programs acknowledged that small employers may have a more difficult time participating in their training programs because of the administrative and program requirements. Program officials said they realize that small employers often lack human resources personnel who can spend time completing paperwork and other

[52]Any funds paid as progress payments must be returned if a trainee does not complete training and the retention period.

requirements. They also noted that small employers often lack the expertise and resources to identify their training needs and develop curricula, which are often needed before they can participate in the programs. These programs, however, do not have the additional resources needed to address the special needs of all small employers. So both programs actively encourage the use of consortia not only to help small employers identify their training needs so they can access the program, but also to reduce participation costs by helping with the application and other administrative requirements.

Most Small Employers Received ETP Training Through Consortia

In fiscal year 1995, 95 percent of all employers served by ETP were served by consortia, and most had fewer than 100 employees. Table III.2 shows that 74 percent of the employers receiving ETP training projects through consortia had fewer than 100 employees.

Table III.2: Distribution, by Size, of Employers Receiving ETP Projects Through Consortia, Fiscal Year 1995

Employer size (by number of employees)	Percent served through consortia
1-50	59
51-100	15
101-250	11
over 251	14
Total	**100**

Note: Does not equal 100 due to rounding.

Source: ETP.

In ETP, a variety of public and private groups may serve as consortia, including (1) employer associations, (2) private training agencies, (3) joint apprenticeship training committees, (4) educational institutions, (5) private industry councils, and (6) primary employers acting on behalf of other employers. Of the different types of consortia used by small employers that received ETP training projects, most were private training agencies and educational institutions, such as community colleges. We visited two consortia in these categories—the Foundation for Educational Achievement (FEA) (a private training agency) and Glendale Community College (GCC). GCC is ETP's largest consortium. Together with FEA, it served 23 percent of all of ETP's consortia employers. Almost half of the employers served by FEA and GCC had 50 or fewer workers. FEA officials said they targeted employers with fewer than 50 workers because they typically cannot access ETP funds directly. These employers, according to

FEA, face inherent limitations, such as limited budgets and staffs, very small numbers of trainees, and the lack of time and resources to develop their own training projects.

Almost Half of OCT's Small Employers Received Projects Through Consortia

In fiscal year 1995, OCT granted training projects to five consortia, which served about half of all the employers participating in OCT. In addition, as shown in table III.3, 73 percent of those employers served through consortia in OCT had fewer than 100 employees.

Table III.3: Distribution, by Size, of Employers Receiving OCT Projects Through Consortia, Fiscal Year 1995

Employer size (by number of employees)	Percent served through consortia
1-50	57
51-100	16
101-250	10
Over 251	16
Total	**100**

Note: Does not equal 100 due to rounding.

Source: OCT.

Provided they are located in New Jersey, consortia in OCT can be formed by one or more (1) educational institutions, (2) individual employers, (3) labor or employer groups, (4) community-based organizations, or (5) training organizations. We interviewed one of OCT's consortia, National Training Associates (NTA), which provides or procures training for employers who need assistance accessing training.

Consortia Minimized Costs of Program Participation for Small Employers

The participating employers we spoke with who were using consortia said the activities performed by the consortia significantly minimized the various costs of program participation. For example, in ETP, the consortia provided employers with help in completing the application and other paperwork and, in some cases, did the paperwork for the employers. Other services done by the consortia included job placement for new-hire trainees and follow-up activities required after training. Employers we spoke with who were participating through these consortia noted that they did not want to spend the amount of time necessary to fill out the paperwork and using consortia significantly reduced the time necessary.

In OCT, consortia activities included identifying training needs, helping to prepare applications, developing curricula, administering the contract, and carrying out the follow-up activities after training is completed. In some cases, the consortia are paid for their efforts; for example, NTA receives an agreed-upon portion of the training funds provided to the employers. NTA said one of the key benefits it provides to small employers is doing the paperwork for them. NTA officials believed that the primary hurdles to participation in such programs are the application and monitoring procedures. They have seen employers walk away from a nearly completed application process, exasperated by rule changes and the need to continually revise proposals. They also said that protracted review and approval cycles greatly compound the problem. The participating employer we spoke with agreed, saying the use of this consortium significantly reduced the time spent completing the paperwork.

OCT also has developed networks with a variety of organizations to enhance the services provided to small employers. For example, at OCT's request, the New Jersey Institute of Technology performs an overall operation assessment of employers applying for OCT funding. The purpose of the assessment is to identify potential problems—beyond training—that may hinder an employer's operation. Such problems could include inadequate marketing strategies or management procedures.

Because the consortia also contact employers about participation in these programs, often help them develop training curricula, and, in some cases, conduct or procure the training for the employer, the consortia reduce many of the problems small employers have in identifying training needs and available resources. One employer said he did not know of the program until he had been contacted by NTA, one of OCT's consortia. Furthermore, he said he was only involved because of the consortium's help in complying with program requirements. He noted that other employers that have not been contacted for participation in this program may not know of its existence. Several employers said that, without consortia assistance, they may not have been able to develop as good a training plan because it would have taken too much time and been too costly.

Programs Provide Technical Assistance to Encourage Small Employer Participation

Although these programs strongly encourage consortia to help small employers with the application and monitoring procedures, program officials realize that not every employer can be involved with consortia. Because of this, the programs provide significant technical assistance to applicants at several points during the training project. First, program staff visit employers and walk them through the application. Second, during the periodic visits to employers during the training period, program staff provide any necessary assistance to ensure that the training is adequate. Finally, the programs also provide any technical assistance needed to comply with any final requirements to receive the remaining training funds. According to several employers we spoke with who were participating in the programs, this technical assistance reduced the time they spent on the paperwork. In addition, ETP officials said a 1995 survey of 114 participating employers showed that employers favorably evaluated the technical assistance provided by ETP staff.

Measures of Program Effectiveness

Program officials said the greatest benefit of these programs is that they achieve economic development by creating new jobs and maintaining existing employment. They also noted that critical to their programs' success was the significant employer involvement in the determination, conduct, and impact of training. Both programs have been evaluated by outside sources and been found to have contributed to local economic development. (We did not independently verify the program results found by these researchers.)

ETP's Training Benefited Workers

Several studies conducted on the long-term effects of ETP's training program are the bases for judging its success, according to ETP officials. One of the most recent studies concluded that ETP's training had a positive impact on trainees and the California economy.[53] Researchers found that workers who completed ETP training were more likely to remain in the California labor market than either trainees who dropped out or randomly selected workers from similar industries. In addition, ETP trainees who completed training had larger earnings increases than workers who dropped out or comparable workers.[54] For example, the earnings of ETP "retrainees," trained in 1991, increased by $330, and the earnings of

[53]R. Moore, D. Blake, and G. Phillips, Accounting for Training: An Analysis of the Outcomes of California Employment Training Panel Programs, California State University, Northridge, School of Business Administration and Economics (Northridge, Cal.: 1995).

[54]The study tracked ETP trainees from fiscal year 1989 to 1992 to measure the impact of ETP training on individual trainees. A control group of 130,000 randomly selected California workers, statistically weighted to match ETP trainees' industry mix, were used as comparisons.

new-hire trainees increased by $2,650 a year after training. Comparable workers' earnings decreased by $500 during the same time period. Researchers also found that ETP training contributed to reduced state unemployment and increased worker productivity, both of which positively affected the California economy.

OCT Training Created Jobs

The number of jobs that OCT has created or saved is the basis for judging its success, according to OCT officials. They said that training funds awarded in fiscal year 1995 involved eight employers who either relocated to New Jersey or were new businesses in the state; together they created 3,231 new jobs. In addition, OCT provided funds to three employers that expanded their New Jersey facilities significantly, creating 532 jobs. In addition, a recent study that evaluated the Workforce Development Partnership Program also examined OCT's operations.[55] Researchers concluded that employer interest in OCT was increasing and that OCT's training funds were increasingly becoming a part of incentive packages provided to businesses.

[55]Second Annual Assessment of the Workforce Development Partnership Program, Abt Associates (Bethesda, Md.: 1995).

Privately Funded Training: How Two Apprenticeship Programs Serve Small Employers

Apprenticeship combines theoretical instruction with structured OJT, leading to certification of workers as journeymen. In the United States, apprenticeship is primarily a private-sector program operated by employers, employer associations, or jointly by employers and labor unions. In this way, most apprenticeship programs are operated like consortia, where groups of employers or employers and unions join together to provide training. Apprenticeship programs can be registered with the federal or state government but many nonregistered programs also exist. This appendix describes how two federally registered apprenticeship programs provide training to apprentices, how the programs serve small employers, and how their consortium-like structures benefit these employers.

Background on Apprenticeship Training

Federal participation in apprenticeship training began in 1934, when the Secretary of Labor established the Federal Committee on Apprenticeship to serve as the national policy-recommending body on apprenticeship. Three years later, the National Apprenticeship Act (also known as the Fitzgerald Act) was passed to protect the welfare of apprentices, promote the establishment of apprenticeship programs, bring together employers and labor to create apprenticeship programs, and cooperate with state agencies in formulating apprenticeship standards.

The Department of Labor's Bureau of Apprenticeship and Training (BAT) is responsible for carrying out these goals. With a budget of almost $16 million in fiscal year 1995, BAT staff provide support services to program sponsors, promote apprenticeship, enforce equal opportunity standards, and register apprentices in 23 states. The Secretary of Labor also recognizes the authority of State Apprenticeship Councils to register local apprenticeship programs in conformance with federal standards in 27 states, the District of Columbia, Puerto Rico, and the Virgin Islands.

Under the federal Davis-Bacon Act, employers in the construction industry may pay registered apprentices less than the prevailing wage rate on federally funded construction projects. As we reported in 1992, this is a major incentive for registering an apprenticeship program with the federal government.[56] Some states and localities have similar regulations permitting reduced apprenticeship wage rates.

In fiscal year 1995, over 355,000 apprentices participated in 34,000 registered apprenticeship programs. Apprenticeable occupations

[56] Apprenticeship Training: Administration, Use, and Equal Opportunity (GAO/HRD-92-43, Mar. 4, 1992).

numbered over 800, but two-thirds of all apprentices participated in 25 occupations—mostly in the construction and manufacturing industries. Although some apprentices were female or minority, the majority were white males between the ages of 22 and 29. BAT officials said most apprentices were registered in large programs sponsored jointly by employers and labor unions, although many small employers also sponsored apprenticeship programs.

To become a registered program, employer sponsors must design a program that meets BAT requirements. For example, apprenticeship training must include at least 144 hours of job-related classroom instruction a year and at least 2,000 hours of supervised OJT. Apprentice wages must be increased at least every 6 months until the apprentice reaches 85 to 90 percent of the rate paid a journey worker in the occupation. An apprentice who completes the program receives a certificate of completion—a portable credential showing that the person has attained certain competencies that employers understand. Employers do not have to retain the apprentice upon completion of the training.

Employer sponsors must also comply with equal employment opportunity rules to prevent discrimination. Other requirements cover, for example, age, supervision, and evaluation. To register an apprentice, employer sponsors must develop a written agreement containing basic information on the apprentice and the program, such as the wage schedule, the terms of the apprenticeship, and classroom training hours. This apprenticeship agreement is signed by the employer and the apprentice and filed with BAT. Other than this agreement, program sponsors have no statistical reporting requirements.

Program Sites

We visited two federally registered apprenticeship programs that trained apprentices in several of the top 25 apprenticeable occupations. One program was a nonunion operation administered by the Tooling and Manufacturing Association (TMA) in Park Ridge, Illinois. The other was a union program administered by the Employing Bricklayers Association of Delaware Valley (EBA) in Plymouth Meeting, Pennsylvania. (See app. I for how we selected these sites.) Officials at both programs said the major goal for the programs was to ensure a pool of qualified workers for their industry and geographic areas because younger workers were needed to replace an aging workforce and new and existing workers had to be trained to keep up with the latest technology.

Nonunion Program: Tooling and Manufacturing Association

TMA, a trade association of 1,485 tool and die and machining employers in the greater Chicago area, established an apprenticeship program in 1934. In addition to apprenticeship training, TMA offers many services to its members, such as group medical insurance, payroll services, 401(k) plans, and UI administrative services. TMA also collects and provides local labor market information and offers various types of training and management seminars. According to TMA officials, one of the primary reasons members joined was the availability of the apprenticeship training. In 1995, TMA had 600 registered apprentices working for 290 of its member employers. Most of these apprentices were white men not older than 25. This number does not include apprentices who had finished the classroom portion of the training and were still accumulating OJT hours, which TMA does not track.

TMA officials said one of the major goals of the apprenticeship program was to reduce the shortage of precision metalworkers. Getting new or young workers to enter the industry is difficult. The industry suffers from a negative image, despite the advanced skills required and the competitive wages offered. Employers in the area have difficulty finding entry-level and skilled workers. So the apprenticeship program is an effective way for employers to obtain new workers and ensure that they are adequately trained.

TMA's employer membership is mostly nonunion, and TMA's operating expenses are funded primarily through member dues. Employers who join TMA must pay a $75 initiation fee and annual dues based on a sliding scale, depending on the number of toolroom employees and total employees. Average dues are about $750 per employer. Employers also pay tuition fees for apprentices—about $375 a year for each apprentice. Tuition fees do not cover program costs, however, and TMA loses about $400 per student; as a result, employer dues are used to subsidize apprenticeship activities. Officials and employers believe it is very important to maintain the program because it benefits all employers in the industry.

Union Program: Employing Bricklayers Association of Delaware Valley

EBA was created in 1984 by a group of union construction contractors. Today, EBA is an independent association of 60 union employers, most of whom are subcontractors hiring bricklayers and laborers in the greater Philadelphia area. EBA's apprenticeship program was registered in 1947 and originally sponsored by the local union's Joint Apprenticeship Committee (JAC). Besides overseeing the apprenticeship program, EBA also negotiates the collective bargaining agreements and manages all benefit trust plans. As of 1996, EBA had 36 registered apprentices, 18 of whom

were attending classes; the other half had completed the classroom training but were still accumulating OJT hours. The apprentices were all men with an average age of 26; 46 percent were minorities.

EBA officials said the apprenticeship program serves employers' needs for a skilled workforce. Because the construction industry is cyclical and depends on economic, seasonal, and other factors, EBA's apprenticeship program also helps regulate the supply of incoming workers by accepting apprentices only when existing workers have enough work. For this reason, EBA accepts apprentices who are not currently employed by a member employer. For example, only one-third of the current first-year apprentices are employed with EBA member employers. Finally, program officials and participating employers said another major benefit to participating in the EBA program is that under the Davis-Bacon Act, employers may pay registered apprentices in training less than local prevailing wages on federal construction projects.

EBA's funding is provided through employer contributions, which are set by the collective bargaining agreement. The agreement determined that employers would be assessed an hourly contribution of 37 cents. Currently, a reserve account is funding apprenticeship, but when this account is depleted, a new fund will pay for apprenticeship training costs. This fund covers promotional efforts and apprenticeship costs, such as tuition, tools, classroom space, and teacher salaries. Apart from these contributions, employers pay no additional direct costs to train apprentices.

Service Delivery at the Two Programs

Both of the programs we visited served employers and workers in similar ways—they screened and accepted apprentices, developed a structured training curriculum, and required employers to provide OJT to the apprentices. Both programs managed all the administrative details and paperwork for screening, selecting, and registering individual apprentices, as well as retaining certification of the apprenticeship program. They were also responsible for ensuring that the programs complied with equal employment opportunity rules. All participating employers we spoke with said that TMA's and EBA's activities reduced the costs they would incur on their own of finding and training employees.

How Individuals Access the Programs

Individuals may learn about apprenticeship in many ways. Program officials said applicants for the TMA and EBA programs generally hear about

the programs from friends, family, or vocational education and trade schools. Both programs also advertise their apprenticeship training programs in newspapers and other venues, and employers may contact the associations in search of an apprentice.[57]

TMA apprentices must be employed by a member employer to apply for the program. Conversely, EBA accepts candidates who are not currently employed by a member employer. Once an apprentice is accepted, however, EBA tries to place the individual with a member employer.

Applicants must have a high school diploma or equivalent, take reading and math tests, and demonstrate good work habits and communication skills. Candidates complete an application form; TMA requires a resume and EBA conducts an interview. EBA also requires that its apprentices have a car and driver's license. When apprentices are accepted into the EBA program, they must join the union.

Once an applicant is approved, the applicant and the employer sign the apprenticeship agreement, which is sent to BAT. EBA also sends a copy to the union and keeps BAT informed of cancellations, drop outs, and completions. TMA employers must complete a simple one-page form of basic information on the apprentice.

Program officials and participating employers said this selection process weeds out workers with poor skills or work habits and identifies qualified apprentices. Participating employers added that it saves them significant time and resources by relying on TMA and EBA to recruit and screen job applicants.

Industry-Based Curricula Dictate Apprenticeship Training

EBA and TMA have developed industry-based curricula related to the needs of member employers and employees. TMA's curricula cover related theory and design classes on tool and die making, moldmaking, and precision machining. They were developed by experienced employees involved with TMA and correspond to national industry skill standards. The curricula are updated by TMA's apprenticeship committee, which is made up of experienced journeymen. EBA's masonry curriculum was originally developed by the JAC and is revised as necessary to meet changing industry needs. In both programs, apprentices attend classes 2 nights a week for 3

[57]TMA also has a free referral service that member employers and individuals may use. It obtains applications and resumes of job seekers, which employers may review. It also maintains a list of job openings in member firms that job seekers may review.

years to accumulate the required number of classroom training hours each year. Classes are taught at night on the employees' own time.

In both programs, classes are taught at local community colleges or high schools, where the associations rent classroom space and equipment. The classes are taught by experienced journey workers who are hired and paid by TMA and EBA. TMA apprentices are simultaneously enrolled in the community college and can earn college credit for the classroom training and, in some cases, for OJT. Toward this end, TMA does all the paperwork and other activities associated with registration and grade distribution. Both programs have attendance policies and have expelled students when necessary. Both programs also provide grades to the apprentices. TMA apprentices who complete the coursework are recognized in a graduation ceremony and receive a certificate.

Employers we interviewed believe that the classroom training is well structured and meets their needs because the curricula are industry based. They said that teaching the classes at night on the employees' own time facilitates their participation for several reasons. First, they could not afford to pay workers wages while they were training. Second, they could not afford to have workers away from the job during the day because the productivity costs would be prohibitive. Several employers said they would not be able to participate if training were held during the day.

In addition, all of the participating employers we interviewed said the costs associated with the apprenticeship program are reasonable and affordable. TMA employers said tuition fees are lower than they would be for the same courses at the local community college. Participating employers in both programs said they lose money in the first years of training but believe it is cost-effective in the long run if they retain the worker and that training is the best way to gain a skilled worker.

Employers Are Responsible for Providing OJT

Federal apprenticeship programs must provide apprentices with OJT. TMA's program requires 8,000 to 10,000 hours of OJT, which takes 4 to 5 years; EBA's program requires 4,000 hours, which takes 3 to 4 years.[58] OJT is supervised by a journey worker at the job site in both programs. Program officials want apprentices to learn a broad range of appropriate skills. Yet they cannot closely monitor OJT because officials at both TMA and EBA do not believe it is their role to tell member employers how to train apprentices. However, TMA provides a guide to employers that outlines

[58]Obtaining OJT hours often takes longer because of the lack of steady work in the industry.

tasks and performance criteria, and EBA recently developed a report card for apprentices to record their activities and the time spent on various tasks, which provides some oversight of OJT. Program officials and all the employers we interviewed believe that OJT is essential to the success of apprenticeship and the education of an apprentice.

Participating TMA employers said that providing OJT has some costs such as lowered productivity of the apprentices and of the supervisors who oversee apprentices. They noted, however, that they would be incurring these costs anyway, since they cannot find new workers with the necessary skills. They believe that conducting OJT through the apprenticeship program is cheaper and more effective in the long run than doing it on their own.

Providing OJT is more difficult to achieve in EBA than in TMA. As stated before, not all EBA apprentices must be employed by a member employer to participate in the program. Often, EBA tries to find employment for apprentices after they have been accepted to the program; however, officials said they currently have apprentices receiving classroom training who are not employed with member employers. EBA officials said finding employers who are willing to take apprentices is sometimes difficult; EBA often places apprentices with the same few employers every year. They said employers may not be willing to incur the additional productivity losses of supervisors who must oversee the apprentices. They also said that often employers will not take apprentices despite the reduced wages that can be paid to apprentices because employers believe the apprentices' productivity does not justify the wages paid. EBA officials said they believe that these employers were misusing apprentices (for instance, using them for lower cost occupations such as laborers rather than bricklayers); however, EBA cannot force employers to take apprentices. EBA officials said the greatest difficulty in employers' hiring apprentices, however, is the lack of steady work in the industry. Employers noted that, even in the best of times, experienced workers do not have enough work and it would not be fair to those workers to hire apprentices. Furthermore, hiring apprentices and firing them soon after for lack of work would be unfair.

Once apprentices get all the required OJT hours and complete the coursework, they receive a certificate of completion from BAT. TMA also provides a journeyman's card, which is a local credential. Under both programs, graduate apprentices often continue working with the same employer.

Significant Participation by Small Employers

Program officials said employer participation is essential to these apprenticeship programs—not only because employers fund the programs but because the training is based on employer needs. According to TMA officials, one of the primary reasons members join is the availability of apprenticeship training. EBA officials said that apprenticeship training is one of the best ways to ensure a pool of skilled workers in the industry.

Although program officials do not routinely collect data on the characteristics of employers served by the apprenticeship programs, both TMA and EBA are dominated by small employers. As a result, they tend to have high small employer participation rates in the apprenticeship program.

Of TMA's 1,485 members, about 80 percent have fewer than 100 employees; median member size is 12 employees. Similarly, most of the 290 employers participating in TMA's apprenticeship program have fewer than 100 employees. In addition to the 290 employers, many others have employed apprentices who have already finished classroom training and are continuing to earn OJT hours. Furthermore, TMA officials estimate that about 900 of the 1,485 members have toolrooms that require trained employees and that most of these 900 employers have enrolled apprentices at some point but, given their small size, do not need to train apprentices every year. In this manner, a large portion of TMA's members are currently participating or have participated in the past. According to TMA officials, the lack of interested, qualified workers often prevents employers from participating. We contacted several employers, most of whom were small, who were not using the TMA apprenticeship training. They noted that they did not need to train workers now because all of their workers were trained and skilled. They noted, however, that they knew about the TMA program and would use it if they needed to train apprentices.

EBA officials estimated that most of the member employers had fewer than 150 employees. Determining their size, however, was difficult because employer size fluctuates greatly in the construction industry because employers have core staff and hire additional employees as needed, laying them off when a specific contract is completed. The largest EBA employer had 200 employees at its peak. EBA said the participation rate in the apprenticeship program has remained fairly constant at 15 to 20 percent of EBA employers. Both small and large employers have participated—usually the same employers every year. EBA officials also noted that changes in technology have affected the rate of participation; the substitution of other

building materials for brick has reduced the need for skilled and apprentice masons.

Use of Consortia to Foster Small Employer Participation

Both TMA and EBA are forms of consortia—groups of employers and/or unions working together to obtain training and other benefits to reduce the costs for all involved. The EBA and TMA programs are located in areas with a critical mass of employers with similar needs in the same industry and geographic location. This enables TMA and EBA to provide affordable, accessible services to employers who may not otherwise be willing or able to train on their own. The cost and other advantages of these consortia are clear to program officials and participating employers, especially small employers.

Consortia Minimized Barriers Associated With Costs of Finding and Training Employees

Participating employers we interviewed said that TMA and EBA reduced many of the economic costs associated with finding qualified employees or training employees. One employer, an owner of a small tool and die operation without a human resources department told us that when he needs new workers, he has to run a newspaper ad, answer telephone inquiries, and interview candidates. He does not have time for that, since he needs to work on the shop floor along with his employees. By relying on TMA to identify and screen workers, he can get qualified workers cheaply and easily. TMA employers also reported that being in an association with other employers helps them network and learn about new developments in the industry.

Participating employers in both programs said that training apprentices puts them at a competitive advantage over other employers and training costs are outweighed by the long-run benefits of gaining skilled, loyal workers. First, training costs are subsidized by employer dues or other contributions. For example, tuition fees at the community college were more than TMA's tuition fee. Second, classroom training is scheduled on the employees' own time. One employer noted that even though the local community college had a similar program to TMA's, he would not use it because training was only offered during the day and he could not afford to lose employees' productivity. Third, programs provide services, such as marketing and outreach to find workers and job screening, that save employers time and money. Finally, EBA officials said small employers benefitted by being able to pay apprentices in training lower wages than other employees. Participating employers said they would still provide OJT

without these programs but it would be more expensive and they would not teach apprentices what they learn in class.

Finally, program officials and participating employers said the consortium arrangement protected employers who trained from losing workers to other employers. Since all employer members are investing in training, the incentive for an employer to steal trained workers from other employers is reduced. Also, because training costs are minimized, employers had less fear of losing their investment if they did train.

Consortia Relieved Barriers Related to Developing Training Programs

Participating employers noted that the consortia relieved several barriers common to small employers when trying to identify general training needs and sources. For example, one employer noted that he does not have time to call all the local schools and find out what classes they offer, pore over course catalogs, and fill out registration forms and other paperwork for his employees. He also noted that the community college training included classroom training as well as OJT, which he really did not need. He said that TMA "put it all together," not only by providing him the training he needed when he needed it, but by saving him countless hours of determining what to teach. He noted that if TMA weren't there, he probably would not enroll his employees in structured classroom training.

Participating employers we spoke with noted that they would not participate in any program that requires lots of paperwork. Having the associations handle all tasks associated with registering apprentices, developing the curricula, and monitoring apprentices' progress relieves them of having to do this work and makes participation easy.

Measures of Program Effectiveness

Federally registered apprenticeship programs have no performance requirements, although BAT conducts many activities related to apprenticeship. It maintains apprenticeship agreements and provides national data on apprenticeship training. It reviews compliance with equal opportunity rules, occasionally visits apprenticeship programs, and seeks to identify programs using apprentices incorrectly. However, it has very few ways to enforce standards. We did not assess the effectiveness of BAT's efforts.

TMA does not have performance measures or track apprentices, but officials said enrollment and completion data indicate program performance. Officials said employers continue to enroll apprentices if

they reap benefits: they pointed to the 600 apprentices as proof of program success. Enrollment of first-year apprentices declined from 259 to 158 between 1989 and 1995, while completions increased from 55 to 77 percent during that time. Program officials explained that fewer people were accepted into the program because admission standards rose, resulting in stronger candidates with a greater probability of finishing the program. TMA monitors classroom training through student evaluation of instructors, employer feedback, and visits to classrooms twice a year. Instructors have been fired in the past on the basis of these monitoring activities.

Although EBA has no specific performance measures, it relies on feedback from employers and apprentices about the program and takes corrective action as necessary. Although only one-third of EBA's first-year apprentices are employed with a member employer, apprentices who have finished the classroom training and are earning OJT hours are all employed by a member employer. EBA officials said the difficulty they have placing apprentices is not due to the quality of the program but the lack of steady work in the industry.

OJT is not generally monitored by BAT, TMA, or EBA. TMA and EBA program officials said they cannot tell employers how to train workers. TMA and EBA officials said some employers use apprentices as cheap labor and others might not teach them all aspects of the trade. Program officials said that in some cases apprentices have finished their OJT hours without learning all the skills they should have. EBA's report card, which apprentices use to track their activities, helps ensure that they are receiving adequate training.

Comments From the Department of Labor

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210

[illegible] 1996

Carlotta C. Joyner
Director, Education and Employment Issues
Health, Education, and Human Services Division
U. S. General Accounting Office
441 G Street, NW
Washington, D.C. 20548

Dear Ms. Joyner:

I am writing in response to your recent draft report, Job Training: Small Business Participation in Selected Training Programs which you provided to us for comments. The following are our comments:

1) Overall-

a) we agree that public programs responsible for providing employment and training services need to work with both large and small employers. This includes linkages with employers (through Private Industry Councils (PIC's), local chambers of commerce, economic development initiatives, etc.) to ensure that the programs prepare individuals with the skills required to fill jobs that are or are expected to be available. However, the Department of Labor's focus continues to be on efforts that enable workers to effectively navigate through the labor market. We are not in a position to evaluate the economic costs and benefits of special efforts on behalf of private sector employers.

b) the six case studies used by GAO to supplement existing employer surveys do not provide representative samples of JTPA title III operations, state training fund programs or apprenticeship training programs. Therefore, as is acknowledged on page 28, Appendix I, the case studies are not generalizable to the employer community as a whole. It would help the reader to evaluate the information if the sampling limitations were located in the Report itself, rather than in one of the several Appendices.

2

2) OJT-

On page 11 of the report and in Appendix II-P. 50 there is discussion about OJT requirements and "we found that the costs associated with paperwork requirements may be discouraging employers from participating...". It should be noted that some of the requirements which employers complained about were added in the 1994 amendments to the Job Training Partnership Act to improve accountability. Even so, we continue to believe that OJT is an effective training approach and properly administered can provide training opportunities that would not otherwise be available.

3) CONSORTIA-

On page 17, there is a long section titled "Consortia used to mitigate many of the barriers facing small employers". It is useful to note that the effects of consortia were based on state training funds and apprenticeship programs and it seems an overstatement, to suggest that the use of consortia, particularly outside the areas specified, have the benefits described.

We provided other minor/editorial comments orally to your staff during the exit conference on March 29, 1996.

Thank you for the opportunity to comment on this report.

Sincerely,

Timothy M. Barnicle

Timothy M. Barnicle

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