

Employer Size and Success in Manpower Training Programs for the Disadvantaged : A Dual Labor Market Analysis

La taille de l'entreprise et les programmes de formation pour les défavorisés

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Article abstract

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INTRODUCTION

The United States government's role in manpower training programs for the disadvantaged has expanded

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significantly since the passage of the Manpower Development and Training Act of 1962. Enrollment opportunities for all federal manpower training programs have increased from 59,200 in fiscal year 1963 to 1.56 million in 1972, while expenditures increased from \$56 million to \$2.70 billion during the same period.¹ In addition, manpower programs have shifted from delivery of manpower services by state and local government agencies motivated by the availability of federal funds, to the delivery of services *and* jobs by private employers attracted by federal subsidies, presidential publicity, and social concern.² The latter has been termed « on-the-job training » (OJT).

On-the-job training has been defined as training conducted in the process of production. Production is the primary concern of the institution conducting on-the-job training, and training is a by-product of efforts to meet production responsibilities. Training tends to be provided informally by supervisors and/or experienced workers. The trainee is expected to produce marketable output while he is learning. Alternatively, in institutional training, the training process itself is of central concern, instruction is more formalized, the instructor is responsible for training alone, and the trainee is not expected to produce a marketable output.³

Statistics indicate that federally sponsored on-the-job manpower training programs for disadvantaged have grown much more rapidly than institutional programs.⁴ While all institutional manpower training

¹ U.S. President, *Manpower Report of the President*, Washington, U.S. Government Printing Office, 1973, p. 227.

² Arnold L. NEMORE and Garth L. MANGUM, « Private Involvement in Federal Manpower Programs, » in Arnold R. WEBER, *et. al.*, eds., *Public-Private Manpower Policies*, Madison, Wisconsin, Industrial Relations Research Association, 1969, pp. 61-73.

³ For a more complete discussion of these concepts see Michael J. PIORE, « On-the-Job Training and Adjustment to Technological Change, » *Journal of Human Resources*, Vol. 3, Fall 1968, pp. 435-449 and Michael J. PIORE, « On-the-Job Training in the Dual Labor Market : Public and Private Responsibilities in On-the-Job Training for Disadvantaged Workers, » in WEBER *et al.*, *ed. op. cit.*, pp. 101-132.

⁴ For manpower program purposes, the U.S. Department of Labor defines a disadvantaged person as one who is poor, lacks suitable employment and is either (1) a school dropout, (2) a member of a minority group, (3) under 22 years of age, (4) forty-five years of age or over, or (5) handicapped. Members of families receiving cash welfare payments are deemed poor, as well as those whose income

programs increased their enrollment opportunities from 56,900 in 1963 to 138,000 in 1972, on-the-job programs increased their enrollment opportunities from 2,300 to 1.42 million over the same period. Expenditures showed the same pattern. Institutional expenditures increased from \$55 million in 1963 to \$355 million in 1972, compared to an increase from \$851,000 to \$2.34 billion for on-the-job training.⁵

Government motives for seeking increased private involvement in on-the-job training efforts included the reputation of the private sector for efficient administration, a favorable reaction from Congress, budgetary constraints, and apparently more « successful » results. Training allowances were more than half the costs of institutional training projects, but they were not required for on-the-job training. A shift from institutional to on-the-job training programs thus made possible a larger enrollment of trainees within a given budget. On-the-job training also included an immediate job and a resulting higher rate of trainee retention. Employers were motivated to participate in on-the-job training programs for the disadvantaged by numerous factors including labor shortages, fear of losing government contracts, social consciousness, status-seeking, and a desire to receive the government subsidy.⁶

Ghetto riots in many of the major U.S. urban centers during the mid-1960's also prompted many private employers to participate in on-the-job training programs for the disadvantaged. The growing commitment of the private sector culminated in the creation of the National Alliance of Businessmen (NAB) in 1968. Early NAB reports on job pledges provided hope that the involvement of the private sector would lead to solution of the ghetto unemployment problems. However, by 1970 it had become apparent that private sector participation was no panacea for hard-core unemployment. Problems included the difficulty in turning job pledges into job placements, lack of commitment as to the timing of trainee employment, cancellation of pledges due to the recession of 1970, lack of control over the type of trainee hired, and widely varying retention rates. Many observers have felt that the NAB-

was less than that specified by the poverty guidelines established by the U.S. Department of Health, Education, and Welfare. All other applicants are classified as non-disadvantaged. However, it should be pointed out that many of these programs do not limit their enrollment to those who meet this official definition.

⁵ U.S. President, *Manpower Report of the President*, Washington, U.S. Government Printing Office, 1973, p. 227.

⁶ Arnold L. NEMORE and Garth L. MANGUM, *op. cit.*, pp. 62-63.

JOBS program simply provided lower level jobs to people who were already qualified for them. Instead of using their traditional recruitment sources to fill lower level positions, employers used the program, thus giving rise to unwarranted claims of program success.⁷ Yet in spite of these problems, it is clear that the federal government has become more dependent upon the private sector in developing successful manpower training programs and that a public-private partnership has begun to emerge.

Since the employer's role is so crucial to success in OJT manpower training efforts, it is surprising how little systematic research on the employer's role has been done. Little is known about what employer characteristics are related to program success (defined in various ways). Research to date has been more concerned with the trainee and his characteristics than with employers.

LIMITATIONS OF PREVIOUS RESEARCH

The most basic question in the evaluation of any kind of manpower training program for the disadvantaged is how program « success » is to be defined. Should « success » be measured from the viewpoint of the trainee, the employer, the government, or the whole society? Clearly, all of these view points are valid, but their relative importance will vary with the goals and objectives of the particular program. For example, an employer may agree to participate in an OJT program for the disadvantaged and employ several disadvantaged trainees who were previously unemployed or out of the labor force. Subsequently, all of the trainees leave for other jobs elsewhere. The employer may consider the program a « failure », while the trainee, the government, or society as a whole may view it as a « success » because the former trainees are still employed. If the program is heavily dependent upon continued employer participation and enthusiasm, however, the employer's viewpoint should also be considered as one criterion of program success.

In addition, evaluation studies which attempt to demonstrate the « success » or « failure » of particular programs often simplify and ad-

⁷ For a more complete discussion of some of the problems see Sar A. LEVITAN and Robert TAGGART III, *Social Experimentation and Manpower Policy: The Rhetoric and the Reality*, Baltimore, Johns Hopkins Press, 1971, pp. 47-51 and Charles A. MYERS, *The Role of the Private Sector in Manpower Development*, Baltimore, Johns Hopkins Press, 1971, pp. 24-42.

breviate the typical results. Most programs are so complex in terms of inputs and a multiplicity of objectives (success criteria), that simple overall judgements of « success » or « failure » may be misleading. Research evaluations are quite useful, however, in suggesting modifications in the program objectives, inputs, and the scale of the program.

Even when one has defined the « success » criteria, one of the major problems is to specify the independent variables which might affect program outcomes. Omission of important independent variables can bias the evaluation results. Cain and Hollister have indicated that « a serious problem is the presence of variables, not included in the statistical model, which are correlated with both the dependent variable and the treatment variable . . . Our theories are woefully weak in providing us with the correct list of variables for explaining such dependent variables as employment experience, and we often do not have measures of those we know about. »⁸

Clearly, the « success » of on-the-job training programs for the disadvantaged is affected by aggregate employment conditions. It is also clear that « success » depends on many other factors since results have varied greatly from city to city and plant to plant.⁹ Success might depend upon (1) type of trainees and the degree to which the employer « creamed » the best of the disadvantaged;¹⁰ (2) characteristics of the trainees job;¹¹ (3) support given the program by co-workers, supervisors, and middle manager;¹² (4) the efficiency and effectiveness of local program administrators, job developers, tutors, instructors, counselors, and other supportive personnel;¹³ (5) the trainee's attitudes and

⁸ Glen C. CAIN and Robinson G. HOLLISTER, « The Methodology of Evaluating Social Action Programs, » in WEBER, *et. al.*, eds., *op. cit.*, pp. 16-17.

⁹ Committee for Economic Development, *Training and Jobs for the Urban Poor*, New York, Committee for Economic Development, 1969, pp. 35-38.

¹⁰ David B. LIPSKY, John E. DROTNING and Myron D. FOTTLER, « Some Correlates of Trainee Success in a Coupled On-the-Job Training Program, » *Quarterly Review of Economics and Business*, Vol. 11, Summer 1971, pp. 41-61.

¹¹ Morgan V. LEWIS and Elchanan COHN, « Recruiting and Retaining Participants in a Manpower Program, » *Industrial and Labor Relations Review*, Vol. 26, January 1973, pp. 842-850.

¹² John E. DROTNING, *et. al.*, « Worker Attitudes Toward Black Hard-Core Trainees, » *Journal of Economics and Business*, Vol. 25, Fall 1972, pp. 26-31.

¹³ Louis A. FERMAN, *Job Development for the Hard-to-Employ*, Policy Papers in Human Resources and Industrial Relations, No. 11, Institute of Labor and Industrial Relations, University of Michigan – Wayne State University, January 1969.

motivation ;¹⁴ and (6) the attitudes and characteristics of the employer himself.¹⁵ This listing is not necessarily exhaustive. It simply suggests that the « success » of a particular employer in an on-the-job training program for the disadvantaged depends on many factors and cannot be attributed to a single cause.

In spite of the complexity involved in the evaluation of manpower training programs, most of the evaluation research has been of a cost-benefit nature and has concentrated on a few economic variables such as changes in income and employment.¹⁶ Since most manpower program evaluations have been done by economists it is understandable that economic variables would be emphasized. While these variables are easy to measure and provide necessary information, they may be incomplete in providing relevant information needed by policy-makers. They have been particularly weak in explaining *why* a program achieved its objectives or did not achieve its objectives. The cost-benefit studies have demonstrated that the benefits of most programs exceed the cost.¹⁷ However, they have been inadequate in discerning which of the program components have been significantly related to program outcomes. Sexton has summarized some of other deficiencies of manpower program evaluation as follows : the presence of subjectivity, failure to account for the dynamic character of programs, poorly defined objectives, inadequate operational definitions, methodological difficulties with control groups, and the presence of externalities or third party effects.¹⁸

Obviously, the success of employers (however defined) in on-the-job manpower training programs for the disadvantaged depends upon the behavior of both trainees and employers. Research to date, however

¹⁴ Frank FRIEDLANDER and Stuart GREENBERG, « Effect of Job Attitudes Training, and Organization Climate on the Performance of the Hard-Core Unemployed, » *Journal of Applied Psychology*, Vol. 55, August 1971, pp. 287-295.

¹⁵ Paul S. GOODMAN, « Hiring, Training, and Retaining the Hard-Core, » *Industrial Relations*, Vol. 9, October 1969, pp. 54-66.

¹⁶ A recent article provides a good summary of these research efforts as well as some of the methodological problems involved in cost benefit studies of manpower. See Michael E. BORUS and Charles G. BUNTZ, « Problems and Issues in the Evaluation of Manpower Programs. » *Industrial and Labor Relations Review*, Vol. 25, January 1972, pp. 234-245. Also see CAIN and HOLLISTER, *op. cit.*

¹⁷ For example, see Ernst W. STORMSDORFER, « Determinants of Economic Success in Retraining the Unemployed : The West Virginia Experience », *Journal of Human Resources*, Vol. 3, Spring 1968, pp. 139-157.

¹⁸ Jean SEXTON, « L'Évaluation des Programmes de Main-d'œuvre, » *Relations Industrielles*, Vol. 28, July 1973, pp. 583-601.

has been much more concerned with trainees than with employers. Yet the results of research linking trainee characteristics and program success have not been encouraging. Two earlier studies of youth in Detroit and a national survey of Manpower Development and Training Act institutional trainees both reported that trainee characteristics were not associated with trainee retention in the programs.¹⁹ A later study of trainees in an on-the-job training program found only, one variable, the trainee's welfare status, to be consistently related to the two « success » criteria of program completion and employment status.²⁰ A third study found no relationship between trainee characteristics and program completion.²¹ However, that study did find that the perceived quality of jobs offered trainees (wage rates, promotion opportunities, working condition, status, etc.) was significantly related to program completion. This variable, of course, represents an employer characteristic rather than a trainee characteristics.

In light of the lack of systematic relationship between trainee characteristics and program success demonstrated by these studies and others, it seems clear that the role of the employer in an on-the-job manpower training program is critical. Yet surprisingly little systematic research has been done to demonstrate exactly what employer characteristics, attitudes, and behavior are associated with program « success. » There have been some case studies of particular programs in particular companies where reasons for program « success » in that situation are discussed.²² However, these studies suffer from a lack of systematic analysis, lack of statistical support for the conclusions, and an inability to generalize the policy implications to other situations. In the best study of the employer's role in on-the-job training programs known to the author, Lipsky found that large, unionized, high wage employers had higher trainee retention rates than other employers.²³ However, trainee retention is only one

¹⁹ Gerald GURIN, *Inner City Youth in a Job Training Project*, Ann Arbor, Michigan, Institute for Social Research, University of Michigan, 1968, p. 137 and Gerald GURIN, *A National Attitude Survey of Trainees in MDTA Institutional Programs*, Ann Arbor, Michigan, Institute for Social Research, University of Michigan, 1970, p. 219.

²⁰ David B. LIPSKY, John E. DROTNING, and Myron D. FOTTLER, *op. cit.*

²¹ Morgan V. LEWIS and Elchanan COHN, *op. cit.*

²² For example, see James D. HODSON and Marshall H. BRENNER, « Successful Experience : Training the Hard Core Unemployed, » *Harvard Business Review*, Vol. 46, September-October 1968, pp. 148-156.

²³ David B. LIPSKY, « Employer Role in Hard Core Trainee Success, » *Industrial Relations*, Vol. 12, May 1973, pp. 125-136.

possible measure of program success and this measure is affected to some degree by the fact that some trainees in every program leave their original employer to take jobs they obtain on their own. Thus, there is need for further research concerning the relationship between the employers characteristics, attitudes, and behavior and his « success » in training the disadvantaged in on-the-job programs. « Success » criteria should include employer willingness to participate in the program (behavioral variable), the traditional criterion of trainee retention (economic variable), and the more subjective employer evaluations of the program (attitudinal variables).

DATA AND METHODOLOGY

The present study examines an on-the-job manpower program for the disadvantaged in Buffalo, New York and relates employer size to various measures of « success. » This program was called Jobs, Education, and Training (J.E.T.) and was funded by the U.S. Department of Labor. Project J.E.T. was conceived in 1966 by a coalition of white businessmen and black civil rights groups in Buffalo and was intended to combine educational and on-the-job training for adult blacks with severe educational handicaps. Individual employers were to supply jobs and release their trainees for two hours each day for educational tutoring. Employers were then reimbursed \$30 per week for each trainee hired.

The program was a precursor of the National Alliance of Businessmen JOBS program and has since been supplanted by it. J.E.T. combined several elements to become one of the really innovative manpower programs in the country when it was begun in 1966. First, J.E.T.'s target clientele consisted of adult, black, heads of households who were disadvantaged in terms of their education and work histories. Second, J.E.T. was a « coupled » program, combining both literacy and on-the-job training. Third, J.E.T. sought to involve the private sector in a large-scale effort to provide jobs and training. Fourth, J.E.T. attempted to provide comprehensive services for the trainee, including tutoring, counselling, and other remedial services. These same elements were later combined in the JOBS program.

Employers signed contracts with J.E.T. extending up to 44 weeks. Every trainee placed on a job under contract received 10 hours a week of tutoring designed to bring him up to an eight grade equivalency level. Employers agreed to release trainees for tutoring on company premises during working hours. Between 1966 and 1969 J.E.T. placed more than

700 trainees with more than 230 employers in the Western New York area. By 1970, however, the local JOBS program had largely superseded J.E.T. Finally, the program was aimed at a specific « target population. » In general, the trainees were male (93%) of prime working age (mean age of 34), undereducated (52% had not gone beyond eight grade while only 6% had completed high school), non-white (87%), and unemployed (88%). This trainee profile is similar to that of the NAB-JOBS program.²⁴

The present study will examine the « success » of Project J.E.T. from the viewpoint of the employer. The major objectives of the program were to place as many disadvantaged trainees as possible in « good » jobs. Clearly, employer satisfaction with the program has to be major criterion of « success » in such a program because employer dissatisfaction will result in a lack of job openings for trainees. The program would then be unable to place trainees in any job, good or bad. Three criteria of employer « success » are used: (1) employer participation in the program, (2) employer retention rates for trainees, and (3) employer attitudes toward various aspects of the program. It is felt that these criteria best operationalize the program objectives.

Employer participation in the program is obviously necessary for program « success. » Willingness of employers to participate and provide jobs for trainees is a necessary (although not sufficient) requirement for a successful program. The retention rates represent the traditional economic criteria for « success » in such programs. Retention rates are not necessarily the best measure of « success » as stated previously. However, they have been a focus of much previous research and do provide a convenient index which is widely used by government policy-makers and manpower program administrators. Moreover, a trainee who had completed a 30-44 week program consisting of employment, tutoring, and on-the-job training had obviously gone a long way toward reversing a record of consistent job failure.²⁵ Together with other information, retention rates can be a useful index of program « success. »

The third « success » criterion of employer attitudes toward the program and its subparts may be subject to more criticism than the more

²⁴ See U.S. President, *Manpower Report of the President*, Washington, U.S. Government Printing Office, 1970, pp. 60-62.

²⁵ Approximately 42 percent of the trainees in Project J.E.T. completed the program.

traditional criteria of employer participation rates and retention rates. Although attitudes and expectations are not usually considered by academic economists, their consideration is not without precedent and their importance should not be dismissed. Keynes was aware of the importance of attitudes, intentions, and expectations in what we commonly call economic decisions.²⁶ In the United States, Katona has argued for many years that the alleged unpredictability of attitudinal variables does not justify their exclusion from economic analysis. Moreover, his work at the University of Michigan has incorporated attitudinal variables as expectations into propositions and predictions regarding the economy. According to Katona :

Knowledge of so-called objective circumstances is not enough of a basis to understand how and why people behave differently. People's attitudes, motives, and frames of reference shape their perceptions of the environment and their behavior. In order to understand economic behavior, subjective variables must also be studied.²⁷

In a later study of the present and future work status of married women, Sobel found that an individual's future actions usually correspond closely to his expressed intentions so that expressed plans are an accurate predictor of future labor market behavior.²⁸ Shephard has also pointed out some of the advantages to be gained from inclusion of such variables and indicated some applications in a recent article.²⁹ This is not to disparage the use of traditional economic variables in evaluation studies, but simply to indicate the value of adding to them some of the more subjective, attitudinal variables. Of course, there is always room for doubt concerning the validity of answers received from employers in any type of large-scale survey where interviewers use prestructured questionnaires. However, this problem is greatest when an attempt is made to secure retroactively personal information about changes in opinion, attitude, or

²⁶ John M. KEYNES, *The General Theory of Employment, Interest, and Money*, New York, Harcourt Brace, and World, Inc., 1935, pp. 46-51.

²⁷ George KATONA, « Expectations and Decisions in Economic Behavior, » in Daniel LERNER and Harold D. LASSWELL, eds., *The Policy Sciences*, Stanford, California, Stanford University Press, 1951, p. 220.

²⁸ Marian SOBOL, *Correlates of Present and Expected Future Work Status of Married Women* (Unpublished Ph.D. Dissertation, University of Michigan, 1961).

²⁹ Harold L. SHEPHARD, « The Value of Attitude and Opinion Measures in Manpower Evaluation Research, » in Michael E. BORUS, ed. *Evaluating the Impact of Manpower Programs*, Lexington, Mass., D.C. Heath and Company, 1972, pp. 83-90.

life style. The attitude questions used in the present study avoid such areas and concentrate upon an employer's evaluation of a program he was actively participating in. Since the employer was placed in the position of evaluator rather than he himself being evaluated, there is less reason to doubt the validity of the received responses.

The use of company size as an independent variable related to various measures of program « success » emerges from the prior work by Doeringer and Piore postulating the existence of a « dual labor market » ; consisting of a primary and secondary labor market. The authors describe this dual market as follows :

Jobs in the primary market possess several of the following characteristics: high wages, good working conditions, employment stability, chances for advancement, equity, and due process in the administration of work rules. Jobs in the secondary market, in contrast, tend to have low wages and fringe benefits, poor working conditions, high labor turnover, little chance for advancement, and often arbitrary and capricious supervision.³⁰

It has also been pointed out elsewhere that « the least desirable jobs typically are inferior *both* in terms of pay and related benefit *and* in terms of the intrinsic nature of the work itself. »³¹

In Project J.E.T., company size was considered an appropriate proxy for whether or not an employer operated in the primary or secondary labor market for two reasons. First, employer characteristics indicative of participation in either the primary or secondary labor market, were all highly correlated with company size. Larger employers tended to pay higher wages, have stable or increasing employment opportunities, and to be more heavily unionized. As noted above, these characteristics would also tend to be associated with better working conditions, more chance for advancement, equity, and due process in the administration of work rules. Large size would thus be a good proxy for participation in the primary labor market. Secondly, preliminary data analysis indicated that wages, employment stability, and unionization were all related to the success criteria of trainee retention. However, when these variables were controlled for size, the relationship was much weaker. The use of a

³⁰ Peter B. DOERINGER and Michael J. PIORE, *Internal Labor Markets and Manpower Analysis*, Lexington, Mass., D.C. Heath and Company, 1971, pp. 165-166.

³¹ Harold WOOL, « What's Wrong with Work in America ? » *Monthly Labor Review*, Vol. 96, March 1973, p. 43.

multiple regression analysis would have provided bias results because of the multicollinearity between many of the « independent » variables. Given the intercorrelation among the various possible proxy measures for a company's participation in either the primary or secondary labor market, company size alone provides the strongest and most consistent relationship to various outcome measures.

A question may also be raised concerning the role of trainees characteristics in program success. Might the results attributed here to employer participation in the primary labor market be actually due to differences in the trainee's characteristics? Tests were run to determine the relationship (if any) between trainee characteristics and trainee retention in the program.³² The results indicated that none of these variables were related to trainee retention. The most important characteristic was age, and it was found that retained trainees were about four years older than trainees leaving the program (37.5 years vs. 33.5 years). However, this difference was not statistically significant. These results are compatible with the results of some other studies of trainee characteristics, cited earlier. Since this measure of « success » was not a function of the trainee's characteristics, the results suggest that the employer's work environment may be the critical factor.

The analysis here will take place in three steps in accordance with the three « success » criteria previously discussed. First, a stratified sample of 149 J.E.T. employers out of the total population of 230 J.E.T. employers were selected for the study. This 65 percent sample was stratified in terms of company size, industry, and geographical location (urban vs. suburban) to be representative of the total population of J.E.T. employers. These 149 J.E.T. employers consisted of 56 small employers (0–49 employees), 33 medium-size employers (50–149 employees), and 60 large employers (200 + employees). This sample of J.E.T. employers were then compared to the total universe of 20,185 Western New York employers in terms of company size.³³ In this way, the relative proportion of small, medium, and large firms in both groups

³² Trainee characteristics studied included age, education, number of dependents, length of time on previous job, number of months employed in previous five years, number of jobs in previous five years, rate of pay on previous job, and total income in year before entering J.E.T.

³³ Data for the universe of Western New York firms was available from state insurance figures while data for J.E.T. employers was available from the files of Project J.E.T. as well as the J.E.T. employers themselves.

can be compared to determine if there is an overrepresentation of large or small firms among the J.E.T. employers.

It should be pointed out that employer participation in Project J.E.T. did not represent a random selection of all firms in the Western New York area. J.E.T. firms tended to be larger than the average firm in the area (the average J.E.T. employer had 349 employees compared to about 19 for the average firm); J.E.T. employers were heavily concentrated in manufacturing (about 60 percent of all J.E.T. firms were in manufacturing compared to about 9 percent for all area firms); Jet employers were slightly underrepresented in services (21 vs. 28 percent) and grossly underrepresented in wholesale and retail trade (18 vs. 42 percent); and J.E.T. employers were more heavily concentrated in urban areas (the cities of Buffalo and Niagara Falls) than were all western New York employers (68 vs. 52 percent). This pattern of participation reflects several complex factors, too numerous to discuss here. However, it was partly a result of the job development practices followed by J.E.T. which consciously sought to enlist large manufacturing firms in the program.

Second, an analysis of J.E.T. trainee retention rates by company size in these 149 firms was determined from data in Project J.E.T. files. The same employee size categories of small, (0-49 employees), medium (50-199), and large (200+) was used here and throughout the analysis. Since the employers sometimes had more than one employee, there were 223 trainees in the sample. Their characteristics were not significantly different from the trainee characteristics of the total population of J.E.T. trainees. Even if they had been different, it is not clear this would bias the results, given the previously cited lack of relationship between trainee characteristics and retention rates.

Third, attitudes of the 149 J.E.T. employers toward the program as a whole and various subparts of the program were analysed by employer size category. Interviews with these employers were conducted by professional interviewers employed by the Survey Research Center of the State University of New York at Buffalo on the basis of a structured, pre-tested questionnaire. The interviewers encouraged full employer responses to all questions and wrote in marginal comments and quotations relevant to the various questions. Thus, the objective responses to pre-structured questions were reinforced by more subjective employer com-

ments. The respondents were the owners of small firms and the personnel or industrial relations directors in large firm.³⁴

Some researchers have emphasized the great potential of smaller employers to alleviate the problem of hard-core unemployment and have called for greater recruitment efforts by the federal government aimed at the small employer.³⁵ However, it is the contention of the author that such efforts would be misdirected, would waste resources, and would frustrate employer and trainee alike. The prerequisites for « success » in employment-training programs for the disadvantaged are found primarily, if not exclusively, in large organizations offering jobs in the primary labor market.

EMPLOYER SIZE AND PARTICIPATION IN PROJECT J.E.T.

Table 1 shows a comparison of the average firm size (defined by number of employees) in J.E.T. firms and all firms in Erie-Niagara Counties. The J.E.T. firms were about eighteen times larger than the average firm in the area, although this ratio varied from industry to industry. The difference between the mean size of J.E.T. firms and all area firms was statistically significant at the .001 level. Furthermore, since the Erie-Niagara County data excluded those very small firms which are not covered by the Unemployment Compensation system, the size difference between J.E.T. and Erie-Niagara County firms tends to be understated.

Part of the reason for the greater representation of large employers among J.E.T. participants was the desire of the program administrators to attain « significant breakthroughs » in trainee placement. As a result, these administrators contacted a higher proportion of the larger firms than smaller firms. While all of the J.E.T. firms (average size of 349 employees) were contacted by a J.E.T. representative, only 60% of the Erie-Niagara County firms (average size of 19 employees) were con-

³⁴ Initial field testing indicated that intrafirm attitude consistency was high and that one interview per firm would suffice. In smaller firms, where the chief executive was interviewed, his opinions most likely set the tone for the entire plant. In larger firms, interviewing the personnel manager was viewed as the best means of obtaining employer attitudes, opinions, and reactions to the program, since he was usually the most knowledgeable executive.

³⁵ Sar A. LEVITAN, Garth L. MANGUM, and Robert TAGGART III, *Economic Opportunity and the Ghetto: The Partnership of Business and Government*, Baltimore, The Johns Hopkins Press, 1970, pp. 80-83.

TABLE 1

**A Comparison of the Average Number of Employees Per Firm in
J.E.T. and Erie-Niagara County Firms, by Industry, 1968**

Industry	Average No. of Employees Per Firm		
	(1) J.E.T. Firms	Erie-Niagara County Firms	Ratio (1) ÷ (2)
Agriculture	10	3	3.3
Mining	—	14	—
Construction	—	7	—
Durable Manufacturing	443	148	3.0
Non-durable Manufacturing	395	66	6.0
Transportation and Public Utilities	1,056	35	30.2
Wholesale and Retail Trade	156	11	14.2
Finance	823	14	59.1
Service	274	7	39.1
Government	183	282	0.6
Mean (\bar{X})	349	19	18.4
Standard Deviation (s)	174	34	
Number in Sample (n)	149	20,185	
T = 20.2	p < .001		

SOURCES: Files of Project J.E.T. and worksheets developed by the Research Office, Division of Employment, New York State Department of Labor.

tacted.³⁶ The percentage of firms contacted in each size category was as follows: Small (0-49) 49%, medium (50-199) 51%, and large (200+) 76%. It is evident that job developers devoted more effort to developing jobs in large organizations.

However, it would be incorrect to assume that the higher participation rate of large employers was due *solely* to greater efforts on the part of job developers. The receptiveness of employers to the J.E.T. job developers varied directly with company size. In a previous study of the same program, it was found that 13% of non-J.E.T. employers cited their small size as a reason for not participating in the program.³⁷ One small employer noted that « The small businessman has so many problems just surviving; he can't be bothered with all these program. » Another said that « This is such a small operation that I can't be responsible for watching over someone who needs such care. » Still a third

³⁶ This figure was determined on the basis of a representative sample of 118 firms in the Erie-Niagara County area stratified by company size.

³⁷ Myrond D. FOTTLER, John E. DROTNING, and David B. LIPSKY, « Reasons for Employer Non-Participation in Manpower Training Programs for the Disadvantaged, » *Labor Law Journal*, Vol. 22, November 1971, pp. 708-712.

commented that « We're too small to have the manpower to handle all the red tape involved. » And finally, a small employer noted that managerial time and talent are in short supply : « These programs are fine for employers of larger numbers; we don't have the time, talent, etc. to handle them. »

The larger companies have a greater probability of being government contractors and one method of gaining political favor with the federal government is to participate in various manpower programs. It is also a method of satisfying their « affirmative action » obligation. In addition, larger firms are often more isolated from price competition than are smaller firms, and find it easier to pass on additional costs to the consumer. Finally, one previous study of employer hiring standards concluded that small firms in general tend to require more employee qualifications and also tend to be somewhat more unbending in their approach to hiring standards than larger organizations.³⁸ The smaller employer's lack of training capacity causes them to seek a greater degree of previous experience and training than do larger employers. These expectations of smaller employers undoubtedly play a role in their conservatism toward participation in manpower training programs for the disadvantaged.

The greater degree of participation by larger firms seems well-established. What is not well established is their relative success. The remainder of the paper will provide evidence of the greater success of large companies in training the disadvantaged.

EMPLOYER EVALUATION OF THE OVERALL SUCCESS OF PROJECT J.E.T.

Table 2 shows the relationship between company size and the retention rate of trainees in Project J.E.T. The number and percentage of trainees retained and lost during the program is shown for each of the size categories. It is clear that the large employers were about twice as successful as the small employers in retaining their hard-core trainees. Whereas small employers *lost* about two-thirds of their trainees, large employers *retained* about two-thirds of their trainees. Medium size employers fell somewhere between the large and small employers in terms of trainee retention. Employer size was significant as a determinant of retention at the .001 level.

³⁸ Gloria Shaw HAMILTON and J. David ROESSNER, « How Employers Screen Disadvantaged Job Applicants, » *Monthly Labor Review*, Vol. 95, September 1972, p. 17.

TABLE 2

**The Relationship Between Employer Size and Trainee Retention
in Project J.E.T.**
(n in parentheses) *

<i>Employer Size</i>	<i>Retention Rate</i>	<i>Attrition Rate</i>
Small	33.6% (48)	66.4% (95)
Medium	51.7% (15)	48.3% (14)
Large	64.7% (33)	35.3% (18)
T = 28.3		p < .001

* n refers to the sample of 223 Jet trainees, not the 149 Jet employers.

In addition to the hard data on retention rates, it is also useful to examine employer attitudes toward the program. Table 3 shows how employers of different sizes evaluated the overall effectiveness of Project J.E.T. More than three-fourths of the employers (77%) considered the program « effective » in achieving its purposes, while only 17% considered it « ineffective. » As expected, there was a correlation between the actual retention rates (given above) and employer attitudes toward the overall effectiveness of the program. Whereas only 10% of the large employers viewed the program as ineffective, almost 17% of the small employers viewed it as such. The difference in proportions is statistically significant at the .05 level. This difference might be explained by the fact that the large employers were able to provide various services through their own personnel departments, while the small firms did not have the staff. As a result, the smaller employers may have expected a greater volume of services than the administrators of Project J.E.T. could provide. For example, one small employer stated that « I had poor cooperation with the Jet field rap. I would have a problem, call him, and he wouldn't show. I realized the problem we would have with these people and expected help which I didn't get. »

TABLE 3

**The Relationship Between Employer Size and the Employers View
of the Overall Effectiveness of Project J.E.T.**
(n in parentheses) *

<i>Employer Size</i>	<i>Employer's View of Program Effectiveness</i>		
	<i>Effective</i>	<i>Ineffective</i>	<i>Uncertain</i>
Small	67.8% (38)	26.8% (15)	5.4% (3)
Medium	75.8% (25)	15.2% (5)	9.0% (3)
Large	86.7% (52)	10.0% (6)	3.3% (2)
T = 2.16		p < .05	

* n refers to the 149 Jet employers.

Table 4 shows the willingness of J.E.T. employers to participate in such programs in the future. The majority of J.E.T. employers (57%) do plan such participation, while about 31% do not and 12% are uncertain. The fact that while 77% thought the programs was effective, only 57% actually planned future participation indicates that other factors, in addition to program effectiveness, influence an employer's decision to participate. These other factors probably include general economic conditions, sales and production trends in the individual firm, governmental pressures, and alternative sources of labor supply. As would be expected from the previous analysis, a larger proportion of the large employers (75%) planned future participation than did the small employers (45%). This difference in proportions is statistically significant at the .01 level.

TABLE 4

J.E.T. Employers' Future Plans for Participation in J.E.T. or Similar Programs
(n in parentheses) *

<i>Company Size</i>	<i>Future Plans</i>	<i>No Future Plans</i>	<i>Uncertain</i>
Small	44.6% (25)	44.6% (25)	10.8% (6)
Medium	45.5% (15)	48.5% (16)	6.0% (2)
Large	75.0% (45)	8.3% (5)	16.7% (10)
	T = 2.53	p < .01	

* n refers to the 149 Jet employers.

THE EFFECTIVENESS OF OTHER J.E.T. PROGRAM DIMENSIONS

Table 5 shows how employers in different size categories evaluated the effectiveness of Project J.E.T.'s screening of trainees for their company. The results of this evaluation were quite mixed. About 44% thought screening was good, while 32% thought it was acceptable and 27% thought it was poor. However, small employers evaluated the screening procedures more negatively than did larger employers. While only about 17% of the large employers thought J.E.T.'s screening was poor, about 33% of the small employers thought so. Perhaps employers in small firms had higher expectations concerning the job performance of trainees or perhaps they were simply closer to the work situation and more aware of the problems. Whatever the reasons, their attitudes were more negative, although the differences were not statistically significant.

The J.E.T. program also involved a tutoring program for trainees which took place for two hours during an eight hour work day on com-

TABLE 5
Employer Evaluation of the Effectiveness of
J.E.T. Screening Procedures
 (n in parentheses) *

<i>Company Size</i>	<i>Good</i>	<i>Acceptable</i>	<i>Poor</i>
Small	39.3% (22)	27.6% (16)	33.1% (18)
Medium	42.4% (14)	30.3% (10)	27.3% (9)
Large	48.3% (29)	35.0% (21)	16.7% (10)
T = 0.93		N.S.	

* n refers to the 149 Jet employers.

pany premises. J.E.T. employer evaluation of this tutoring program is shown in Table 6. About 45% of the J.E.T. employers thought that the tutoring program was effective, while 19% thought it was ineffective and 36% were not sure. The large percentage of « uncertain » responses is indicative of the fact that most employers had very little to do with the tutoring program and therefore could not evaluate it. Since most J.E.T. trainees were employed in entry-level positions, there was also a great deal of uncertainty about what tutoring could contribute to job performance. However, it is clear that a higher proportion of the large employers evaluated the tutoring program as effective (55%) than did the small employers (34%). This difference was statistically significant at the .10 level. Perhaps the larger firms expected less than the smaller firms from employees in entry-level positions or perhaps employers in larger firms value education more. Since there was no significant difference in the entry-level job requirements among the three size groups, perhaps small employers expect more initiative among their entry-level employees than do the larger firms. As one small employer put it: « I didn't feel that schooling helped too much, although the boys didn't need too much education. What they really needed was more ambition and get up and go! »

TABLE 6
Employer Evaluation of the Effectiveness of
J.E.T. Tutoring
 (n in parentheses) *

<i>Company Size</i>	<i>Effective</i>	<i>Ineffective</i>	<i>Uncertain</i>
Small	33.9% (19)	19.6% (11)	57.5% (26)
Medium	45.5% (15)	33.3% (11)	21.2% (7)
Large	55.0% (33)	11.7% (7)	33.3% (20)
T = 1.47		p < .10	

* n refers to the 149 Jet employers.

Finally, the employers were asked to estimate the appropriate amount of follow-up on J.E.T. trainees by their counselors. Such follow-up might involve contact with the employer, the trainee, or both. The vast majority preferred a counselor follow-up contact at least once a month. There was a tendency for a greater proportion of the small employers to desire such contact at least once a week although this difference was not statistically significant. In general, there was little difference between the employer's expressed frequency of contact and the amount he actually received. The only exception was a slight tendency for small companies to desire more frequent follow-up than they actually received. Perhaps the smaller companies have a smaller staff for administering the program and supervising trainees; they would thus require more help from J.E.T. counselors than would the larger companies.

CONCLUSIONS AND IMPLICATIONS

There is no reason to believe that the manpower program studied here is unrepresentative of programs elsewhere in the U.S. Project J.E.T. was similar to most on-the-job manpower training programs for the disadvantaged in terms of trainees, mode of operation, and federal government financial support. In addition, Buffalo is a fairly typical medium-size U.S. industrial city with a variety of industry. Nevertheless, some caution should be used in attempting to generalize the result.

There are several reasons why the results should be considered suggestive rather than definitive. First, similar programs in other countries may enroll trainees who are significantly different from those studied here. In such a case, it is possible that trainee characteristics *would* be significant determinants of trainee « success. » Second, the incentives for employers to enroll in such programs may be different outside the U.S. This might lead to a different mix of employers than was observed here and change some of the relationships. Third, the paper confines itself to simple bivariate analysis. Given the nature of our independent and dependent variables, no convenient method of multi-variate analysis was feasible. It is always possible that the control of appropriate intervening variables would destroy the significance of some of the relationships established here.³⁹

³⁹ As mentioned previously, intervening variables such as trainee characteristics or other employer characteristics (in addition to size) were examined and found *not* to be related to trainee retention. Hence, the identification of other intervening variables which might effect the relationship between size and « success » is most difficult.

Thirdly, caution should be used in interpreting employer observations about trainee behavior and the success of manpower training programs. Perceptions may be distorted by prejudice against blacks and resentment against the pressures which forced their hire.⁴⁰ It is also possible that the attitudinal data provides a spurious consistency of employer attitude toward the various aspects of the program because of the « halo effect. » Employers who have had a poor experience in the program (for whatever reason) may tend to downgrade *all* aspects of the program and vice versa. Again, there is no reason to expect this problem would be greater for one employer size group than another.

In spite of the above limitations, the consistency of these findings lends strong support to policy prescriptions derived from the dual labor market models. The trainees in the present study had a good deal of work experience. However, since it was confined largely to the secondary labor market, they had been unable to break out of the poverty cycle because of the unstable, low income characteristics of their previous work. Trainees who were brought into Project J.E.T. and offered the same kinds of jobs previously available with the same kind of employers in the secondary labor market (small) tended to « fail » and their employers tended to be generally dissatisfied with the program. There were few incentives for a trainee to remain with such an employer since such jobs are always available to him (with or without a special program). Alternatively, trainees who were placed in jobs with employers in the primary labor market (large), tended to remain with the employer because the job offered incentives not available elsewhere. Their employers also tended to be more favorable toward all aspects of the program. Thus, it seems clear that manpower programs such as J.E.T. are needed to open opportunities for disadvantaged workers in the primary labor market. To the extent they fail to open such jobs, their effectiveness will be severely limited.

⁴⁰ However, there is no reason to believe these problems are any greater for either large or small employers. On one hand, small employers are often « self-made » men and tend to believe that everyone should « make it on his own » without government help. Hence, small employers might be expected to be more prejudiced toward blacks and more negative toward manpower programs than large employers. On the other hand, however, large employers face more government pressure to hire disadvantaged blacks. Hence, they might be expected to be more prejudiced and hold more negative views. The net result is probably very little difference in the amount of distortion by large and small employers.

Both the economic and the attitudinal results were mutually reinforcing. While the magnitude of the differences between small and large employers was not always statistically significant, the direction was consistent. Small employers had a lower probability of participating in the program, a lower probability of successful participation, and more negative attitudes toward all aspects of the program.

The reasons for these differences are not difficult to discern. First, smaller employers have a tendency to operate in more competitive product markets than do larger employers. As a result, they are not oriented toward programs which they view as being adverse to their firm's productivity or profits. Since they generally have a smaller margin of profit to operate on, there is less concern for « social responsibility » than in large firms. Second, smaller employers tend to pay lower wages and be less heavily unionized than larger employers. In addition to low wages, employment stability and upward mobility are poor. These factors tend to make a job less attractive to a trainee in terms of both economic and non-economic benefits, thus making a successful program more difficult. Third, small employers have less experience in manpower programs and a smaller personnel staff to deal with possible problems than do large employers. The result is a fear of involvement and ineffectiveness upon involvement in such programs. Fourth, smaller employers tend to be somewhat more « conservative » than larger employers in their attitudes toward government, individualism, and the work ethic.⁴¹ Many build their business on their own and consider government manpower programs superfluous. Fifth, smaller employers often deal with smaller unions, which have a tendency to hold more « conservative » attitudes toward manpower training programs than do larger unions.⁴² Sixth, small size alone tends to increase the risk associated with hiring a disadvantaged worker, since the failure of a single trainee will have a larger impact on a smaller employer's total operation.

The incentives for « success » in on-the-job training programs for the disadvantaged differ between smaller and larger employers. Larger

⁴¹ For a good discussion of how the goals motivations, and attitudes of larger corporations differ from those of smaller corporations see John Kenneth GALBRAITH, *The New Industrial State*, Boston, Houghton-Mifflin Co., 1967, Chapters 7 and 8.

⁴² See John E. DROTNING, David B. LIPSKY, and Myron D. FOTTLER, « Union Attitudes Toward Significant Aspects of Job Training Programs for the Disadvantaged, » *Labor Law Journal*, Vol. 23, January 1972, p. 17.

employers are more visible to both government agencies and to civil rights organizations. This tends to make them the target for equal employment opportunity campaigns. Consequently, there is a bigger payoff to larger employers if they run a successful program for recruiting, retaining, and promoting minorities. The rewards include favorable publicity and the continued flow of government contracts. Many large companies assign the program a fairly high priority and hire executives whose sole function is to plan and evaluate the company's manpower programs. Smaller employers receive fewer benefits from successful participation in disadvantaged job programs because they are less visible and hold few government contracts. The result is that such programs are given a lower priority by small employers.

Government and training program administrators should continue their policy of concentrating on larger employers in the primary labor market. Some of the practical impediments to small employer participation and success (such as red tape) could be eliminated by the development of consortiums to recruit, train, and counsel trainees while handling all paperwork with the government. However, it appears that there would still be a difference in the relative commitment and success of large and small employers. Employers, trainees, and society in general would probably be better off if there were fewer but better manpower training programs for the disadvantaged.

La taille de l'employeur et le succès des programmes de formation pour les défavorisés

Quoique le gouvernement des États-Unis ait accordé beaucoup d'importance au programme de formation en atelier pour les défavorisés, ces programmes ne se sont pas révélés pour autant une panacée dans la lutte au chômage chronique. Même s'il est difficile de préciser ce qu'on peut entendre par « succès », il est apparent que, au mieux, ces programmes n'ont eu qu'un succès relatif. D'ailleurs, tout étonnant que cela puisse sembler, on en sait bien peu concernant les caractéristiques des entreprises qui permettraient de juger si l'expérience a été une réussite ou un échec.

La taille de l'entreprise est une variable qui a quelque chose à voir avec le succès parce qu'elle signifie que l'entreprise est prospère, qu'elle est installée en milieu urbain et à proximité d'un marché du travail de base tel que le définissent Doeringer et Piore. La présente étude analyse un programme connu sous le nom de J.E.T. (Job, education, training – emploi, éducation, formation professionnelle)

dans l'ouest de la ville de New York. L'échantillon est formé de 149 employeurs qui y participent et qui se répartissent ainsi : 56 appartenant à la petite entreprise (0-49 employés); 33, à la moyenne entreprise (50-199 employés); 60 à la grande entreprise (200 employés et plus). En outre, on y scrute l'expérience en milieu de travail de 223 stagiaires.

Voici ce qui a été constaté :

1. la grande entreprise est plus en mesure que la petite de s'engager dans de tels programmes ;
2. la grande entreprise réussit mieux que la petite à retenir les stagiaires ;
3. la grande entreprise a tendance plus que la petite à considérer ces programmes efficaces et compte davantage y participer dans l'avenir ;
4. la grande entreprise est encline plus que la petite à apprécier les aspects positifs de ces programmes.

Bien des raisons expliquent donc pourquoi la grande entreprise réussit mieux que la petite dans l'application des programmes de formation pour les défavorisés. Puisque ces facteurs présentent un caractère de stabilité, il serait, en conséquence, plus profitable pour les gouvernements, compte tenu du coût-efficacité, de concentrer leurs efforts sur la grande entreprise en ce qui touche le développement de l'emploi.

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