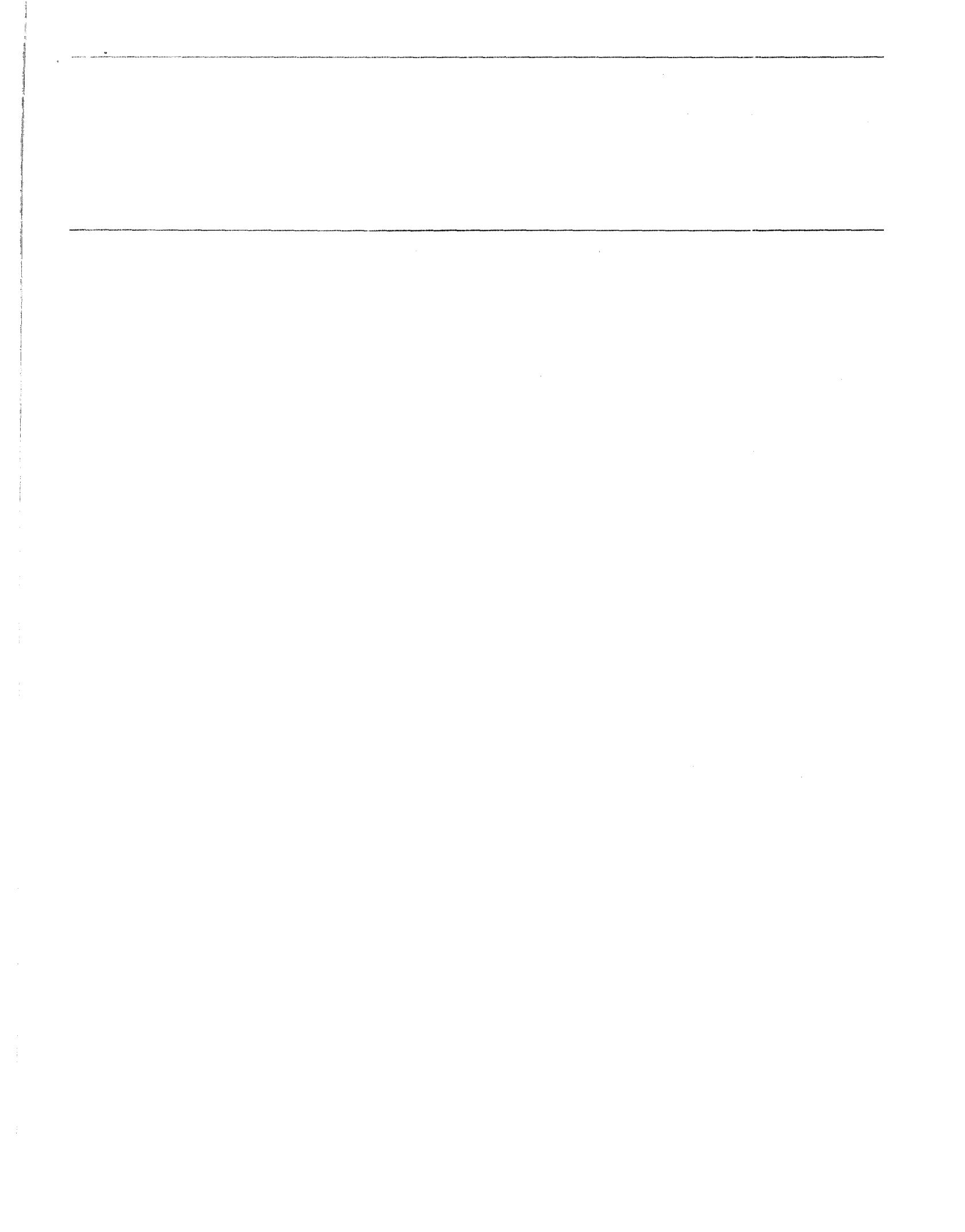


February 1991

TARGETED JOBS TAX CREDIT

Employer Actions to Recruit, Hire, and Retain Eligible Workers Vary







United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-241609

February 20, 1991

The Honorable Matthew G. Martinez
Chairman, Subcommittee on
Human Resources
Committee on Education and Labor
House of Representatives

The Honorable Carl C. Perkins
Chairman, Subcommittee on
Employment Opportunities
Committee on Education and Labor
House of Representatives

This report, prepared at the request of Congressman Martinez as Chairman of the Employment Opportunities Subcommittee, presents information concerning the Targeted Jobs Tax Credit (TJTC) program, which provides employers with tax credits to induce them to alter their employment practices in favor of disadvantaged individuals who face barriers to employment. We found variations in the extent to which the tax credit induced the employers in our analysis to alter their employment practices to increase employment opportunities for eligible workers .

As requested by your office, we did not obtain written agency comments on this report. We did, however, discuss its contents with Department of Labor officials and have incorporated their comments where appropriate. We are sending copies of this report to the Secretaries of Labor and Treasury and other interested parties. Please call me on (202) 275-1793 if you or your staff have any questions concerning this report. Other major contributors to this report are listed in appendix IV.

Franklin Frazier
Director, Education
and Employment Issues

Executive Summary

Purpose

In 1977, the Congress established the Targeted Jobs Tax Credit (TJTC) program to induce employers to favor certain disadvantaged individuals facing barriers to employment. Over the past 10 years, employers have claimed an estimated \$4.5 billion in tax credits under the program. Yet, little information has been available on the employers using the program or the workers hired under it.

To help the Congress identify ways to improve the effectiveness of the TJTC program, GAO (1) obtained descriptive information on employers using the program and the individuals for whom the tax credits were claimed, (2) assessed the extent to which employers made specific efforts to identify, hire, or retain eligible workers, and (3) determined the differences in participants' earnings before and after their involvement in the program.

Background

The tax credit available under the TJTC program compensates employers for hiring and retaining individuals from groups such as economically disadvantaged youth, welfare recipients, and the handicapped (see app. I). The purpose of the tax credit is to induce employers to favor the economically disadvantaged workers targeted by the program. The tax credit is intended to encourage employers to take the initiative in recruiting, hiring, and retaining these workers by subsidizing the real or perceived additional costs of employing targeted workers.

To qualify for the credit, employers must hire eligible individuals and employ them for at least 90 days or 120 work hours. The credit for all except summer youth is 40 percent of the first year's wages, up to \$6,000 per employee, or a maximum credit of \$2,400 per employee. For summer youth, the maximum credit is \$1,200 per employee (40 percent of the first \$3,000 in wages), provided the worker was retained for at least 14 days or worked 20 hours.

Eligible individuals must be certified by the state's Employment Service prior to beginning work. If the applicant is determined eligible, a voucher is made out to the employer. The employer completes the information requested on the voucher, such as the starting wage and a job classification, and returns it to the Employment Service; a certification is then issued to the employer. The certification and payroll records are needed in the event the Internal Revenue Service audits tax credits claimed by the employer.

Most employers recruit their own applicants and then either refer the new hires they believe to be eligible for the program to the Employment Service for eligibility determination or have their new hires mail their documentation to the Employment Service. In some instances, TJTC eligible applicants are referred by the Employment Service to employers.

We obtained national TJTC program data from the Department of Labor's Employment and Training Administration and the Department of the Treasury. We also gathered information on employers and workers participating in the TJTC program in 13 states that had computerized TJTC information. In addition, we interviewed officials from 60 companies selected from the most frequent users of the program in 4 of the 13 states—Georgia, Kansas, Louisiana, and Michigan. Wage data for 376 eligible workers from Georgia and Louisiana were also obtained from Unemployment Insurance records to determine the earnings of participants before and after their involvement in the TJTC program.

Results in Brief

The TJTC program is intended to increase employment opportunities for members of the targeted groups by providing a financial incentive to employers to recruit, hire, and retain target group members. We found that nearly half of the employers in our analysis made some special effort to do so. The other half of the employers in our analysis took advantage of the tax credit without making special efforts to hire members of the targeted groups.

Our analysis determined that work experiences have a positive impact on participants' earnings. We did not find any substantial differences, however, in earnings changes resulting from the TJTC work experience when compared with the experience of other eligible workers.

GAO Analysis

Efforts to Increase Opportunities for Target Groups Varied

Of the 60 employers interviewed, 45 percent made some specific effort to recruit, hire, or provide special training and supervision to retain TJTC-eligible workers. For example, some employers established a relationship with local social service agencies for hiring members of the target groups. When a job opening occurred, employers and agencies

worked together to match job requirements with an individual's capabilities. In addition, some firms paid managers an incentive for hiring and/or retaining TJTC workers. (See pp. 13-15.)

In contrast, the remaining 55 percent of the firms in our analysis made no special effort to identify, hire, or retain TJTC-eligible workers. Under current TJTC law and regulations, employers claiming the tax credit are not obligated to make a special effort to hire eligible workers. If employers' normal employment practices happen to result in the hiring of an eligible worker, they may claim the tax credit even though they have made no specific effort to recruit, hire, or retain workers targeted by the program.

Major Users Hired Mostly Youth for Entry-Level Jobs

Based on our analysis of data from 13 states, about 60 percent of the firms and 68 percent of the certifications from the top 50 users of the program were retail stores and restaurants. Youth target groups accounted for about 60 percent of all TJTC certifications issued in 1988. Welfare recipients accounted for 25 percent of the certifications, and vocational rehabilitation and other target groups accounted for the remaining 15 percent of the certifications. (See pp. 17-19.)

Most of the positions filled by TJTC eligible workers are entry-level jobs requiring minimal skills and paying low wages. The median hourly wage for these jobs was \$3.75. However, Vietnam veterans and ex-felons eligible for the program tend to be hired for more skilled positions paying higher hourly wages. Vietnam veterans, for example, had a median hourly wage of \$4.50. (See pp. 20-22.)

Work Experience Increased Earnings

We found that both TJTC and non-TJTC work experience had a positive impact on earnings for targeted group members. A comparison of quarterly earnings for 300 eligible workers randomly selected from the TJTC programs in Georgia and Louisiana showed that after having a work experience through the TJTC program, earnings increased, for example:

- 105 workers with no prior work experience had average quarterly earnings of \$830 after their TJTC work experience;
 - 150 workers with some prior work experience (earning up to \$1,000 a quarter) had an average quarterly earnings increase of \$485, from \$316 to \$801, following their TJTC work experience; and
-

-
- 45 workers (that had earned more than \$1,000 a quarter) had an average quarterly earnings increase of \$236, from \$1,462 to \$1,706, following their TJTC work experience.

However, we found similar increases in average quarterly earnings for workers eligible for the TJTC program, but not participating. For 76 workers who were TJTC certified in fiscal year 1988, but did not gain work experience through the program, average quarterly earnings increased by \$471, from \$126 to \$597. (See pp. 23-26.)

Matter for Consideration by the Congress

If the Congress wishes that a higher proportion of employers utilizing the TJTC program take special actions that benefit members of the targeted groups, then it could modify the program by imposing new requirements. For example, program requirements might involve employer outreach efforts to eligible populations, prescreening to determine eligibility prior to the hiring decision, or providing additional training or supervision to eligible workers to increase the likelihood of retention.

Agency Comments

GAO did not obtain written agency comments on the report, but discussed its contents with Department of Labor officials. Their comments were incorporated where appropriate.

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Abbreviations

AFDC	Aid to Families With Dependent Children
ES	U.S. Employment Service
TJTC	Targeted Jobs Tax Credit
WIN	Work Incentive Program

Introduction

In 1977, the Congress established the Targeted Jobs Tax Credit (TJTC) program to help several groups facing barriers in gaining employment. The TJTC program, jointly administered by the Departments of Labor and Treasury, provides employers a tax credit to induce them to favor the economically disadvantaged workers targeted by the program.¹ The program encourages employers to take the initiative in recruiting, hiring, and retaining these workers by subsidizing the real or perceived additional costs of employing targeted workers.

Labor sets general policies for, and oversees, the eligibility certification process through the U.S. Employment Service (ES). Treasury, through the Internal Revenue Service, has responsibility for monitoring the tax credits claimed by employers under the program. Internal Revenue estimates that employers have claimed a total of \$4.5 billion in tax credits under the program over the past 10 years.

To qualify for a tax credit in 1990, an employer was required to hire and retain a person from one of the nine target groups for at least 90 calendar days or 120 work hours. The credit was 40 percent of the first year's wages, up to \$6,000 per employee, or a maximum credit of \$2,400 per employee. For summer youth, an employer was required to hire and retain a person for 14 calendar days or 20 work hours. The maximum credit was \$1,200 per employee (40 percent of wages up to \$3,000).

While in some instances TJTC eligible applicants are referred by ES to employers, employers generally recruit their own applicants; then, depending on the state's procedure, employers either (1) refer new hires they believe to be eligible for the program to ES or (2) have new hires mail their documentation in support of their eligibility to ES for eligibility determination. If ES determines that the applicant is eligible, a voucher is made out to the employer. The employer completes the information requested on the voucher, returns it to ES, and a certification is issued to the employer. The certification and payroll records are needed to support the tax credits claimed by an employer.

Some employers use a consultant to assist them in processing applicants and assuring that support for the tax credits claimed is properly maintained. Generally, these consultants are not involved in the process until after the hiring decision has been made.

¹See appendix I for definitions of the nine target groups for whom tax credits were claimed in 1988.

Since its inception in 1978, the TJTC program has undergone several changes and has been the subject of much congressional debate. However, little information is available on employers and participants using the program or the influence the program has had on improving employment opportunities for the groups targeted.

Objectives, Scope, and Methodology

To help identify ways to improve the TJTC program as the Congress considers legislation to renew the program, the Chairman of the House Subcommittee on Employment Opportunities asked us to develop certain information on the program. Specifically, he asked us to (1) obtain descriptive information on employers using the program and the individuals for whom tax credits were claimed; (2) assess the extent to which employers made specific efforts to identify, hire, or retain eligible workers; and (3) determine the differences in participants' earnings before and after their involvement in the program.

To accomplish these objectives, we gathered national information on the TJTC program from the database of the Department of Labor, Employment and Training Administration, and from the Department of the Treasury. We also found that 13 states maintained computerized TJTC information on their fiscal year 1988 TJTC certifications that included data on individual workers and employers. (See app.II for a list of the 13 states.) From these state data, we were able to identify the most frequent users of the program in each state. The top 50 employers from each state accounted for 55 percent of the certifications issued in these states in fiscal year 1988.

In addition, we interviewed officials from 60 companies, 15 in each of 4 states—Georgia, Kansas, Louisiana, and Michigan. These states were selected (from the 13 states that maintained a computerized database with employer names) based on their ranking in TJTC use and to provide a cross section of the U.S. economy. The ranking of the 4 states in terms of the number of certifications issued in 1988 to all states and the certifications as a percentage of the state's labor force is shown in table 1 (see app. II for ranking of all states).

**Table 1.1: Ranking of 4 States by TJTC
Certifications Issued (1988)**

State	Ranking by TJTC Certifications	
	Number	Percent of labor force
Louisiana	4	1
Michigan	16	45
Georgia	17	33
Kansas	30	24

In selecting the companies, we attempted to get a mix from different industry groupings in each of the 4 states; the mix was to be proportionate to the composition of the 50 most frequent users of the program without duplicating companies. At each company, we interviewed officials regarding company employment practices—such as recruiting, hiring, and efforts to improve retention through additional training and supervision—and how these practices differed for TJTC participants.

We also obtained quarterly wage data for a random sample of 376 TJTC-eligible workers, certified in fiscal year 1988 in Georgia and Louisiana, to determine their earnings over a 3-year period (fiscal years 1987 through 1989); this time period included intervals both before and after workers' certification for the TJTC program. We obtained the information from the state's Unemployment Insurance wage-reporting records. Because some participants did not have wages reported from the employer receiving the certification, we were also able to analyze quarterly wage information for the 76 certified workers with no reported wages from certified employers. These data were used to analyze earnings patterns for eligible workers not in the TJTC program.

We can not generalize from the employers and participants in our analysis to all employers and participants in the TJTC program. However, we believe the states and employers from whom we obtained our information provided a good cross section of the TJTC program and are indicative of how the program works in various parts of the economy.

Our work was performed from July 1989 to June 1990 in accordance with generally accepted government auditing standards.

Employer Efforts to Recruit, Hire, and Retain Workers From Targeted Groups Varied

The primary assumption behind the TJTC program is that providing a tax credit for hiring and retaining workers from target groups would encourage employers to favor individuals from those groups, thus increasing employment opportunities for targeted groups. The legislation that established the TJTC program specified which groups were to be targeted and how the credit was to be calculated. However, neither the legislation nor the regulations require employers to alter their employment practices to receive the tax credits. Employers are left on their own to determine what efforts they will make, if any, to increase the likelihood that individuals from the groups targeted by the program will be hired and retained in jobs. As a result, the extent to which employer receiving the tax credit made a special effort to recruit, hire, or retain TJTC eligible workers varied considerably.

Our discussions with employers that were among the top 50 TJTC users of the program in 4 states—Georgia, Kansas, Louisiana, and Michigan—showed that nearly half (45 percent) made some special efforts to increase employment opportunities for workers eligible for TJTC. The other employers in our analysis relied on their normal hiring practices—that is, they made no special effort to recruit, hire, or retain eligible workers.

Special Employer Efforts to Recruit, Hire, and Retain TJTC Workers

Of the 60 employers we interviewed, 27 made a special effort to recruit, hire, or retain TJTC eligible workers. Some created special outreach and recruiting activities to identify potential applicants from groups targeted by the TJTC program. For example, a few employers hired special recruiters to identify TJTC-eligible workers for their stores in a specific region or area of the country. In recruiting TJTC workers, some recruiters established a relationship with local vocational rehabilitation agency personnel. When a job opening occurred, the recruiter and agency would try to match job requirements with an individual's capabilities.

Other examples of special outreach and recruiting efforts include the following: One employer received a federal grant to support workers and train employer staff on how to integrate handicapped employees into the workplace. The employer attributed the success of its effort to the tax credit from the TJTC program for hiring developmentally disabled workers. The employer estimated that these workers stayed in their jobs four to five times longer than workers without disabilities. Another employer had hired about 100 workers, over the past 5 years, from vocational rehabilitation programs. Yet another employer worked

with a program for welfare mothers. This employer has hired at least 25 women from the program in the last 2 years.

Special Consideration in Hiring

Some employers identified potentially eligible TJTC applicants in advance of the hiring decision and gave them special consideration in the decision. For example, an employer who hired welfare mothers knew in advance of hiring that the women were eligible for TJTC. Another employer told us that after being screened, applicants they are interested in hiring were invited back for a second interview. At that time, the applicants filled out a prescreening form used to identify those potentially eligible for TJTC. These applicants were sent to ES for eligibility determination. Those found eligible were given a preference over applicants not eligible for the program.

Another employer told us that all applicants from a local social rehabilitation service had with them, when they applied for job openings, completed vouchers showing their eligibility for the program. As a result, the manager knew at the time of the interview that an applicant was eligible for TJTC.

A few employers also provided incentives to their local unit managers for hiring TJTC-eligible applicants. One employer paid its managers a \$50 bonus for every worker they hired that obtained a TJTC certification. Another employer paid its managers \$25 for every worker certified.¹

Special Efforts to Retain TJTC Workers

Some employers told us they provided additional training for some TJTC workers to increase the chances of retaining them. One employer told us that eligible handicapped workers were sometimes provided extra training because, once trained, they tend to stay on the job longer. This employer estimated that every time a worker left the job it cost the company between \$600 and \$1,000 to recruit and train a new employee. Thus, it was in the company's interest to make the extra effort to retain workers.

A few employers gave TJTC workers special consideration in supervision. For example, one employer said, employers may be more lenient with

¹Similar examples of employers providing financial incentives to spur TJTC use were also reported in John Bishop and others, Final Report on the Effects of the Targeted Jobs Tax Credit (TJTC) Program on Employers (Macro Systems Inc., July 1986).

disciplinary action toward TJTC workers that have not reached the minimum number of days required for the employer to receive the tax credit. For an offense requiring termination of employment, the same employer said, employers may put the TJTC worker on probation.

Some employers provided bonuses to managers to encourage retention of TJTC workers. One employer gave managers a \$1,000 U.S. Savings Bond if the manager achieved a 50 percent or better rate of TJTC workers staying the required time for tax credit. Several employers paid managers a bonus for every TJTC worker that met the minimum work requirements for TJTC.

About Half of Employers Claiming Tax Credit Did Not Have Practices Favoring TJTC Workers

Slightly over half the employers interviewed (55 percent) did not have employment practices to specifically recruit, hire, or retain eligible TJTC workers. They relied, instead, on their normal employment practices to find workers. If these practices resulted in the hiring of a worker from a targeted group, the employer claimed the tax credit. For example, when these employers had job openings, they typically relied on newspaper advertisements, signs placed in their store windows, job orders placed with ES, or applications from walk-in job seekers. The extent to which these efforts resulted in the identification of TJTC-eligible workers appeared to be coincidental.

For these employers, hiring decisions were not influenced by TJTC eligibility because this eligibility was not determined until after the decision had been made.² Further, these employers did not change their training practices for TJTC-eligible workers. As a result, there were no special efforts to retain these workers.

Conclusions

The tax credit is intended to increase employment opportunities for workers from targeted groups by providing a financial incentive for employers to recruit, hire, and retain target group members. We found that about half of the employers we surveyed made special recruiting, hiring, and retention efforts; the other half merely claimed the tax credit for workers after making normal hiring decisions. Under current legislation, employers are not required to determine eligibility before hiring members from the targeted groups.

²Examples of TJTC eligibility not determined by most employers until after the hiring decision had been made were also reported in Bishop, *Final Report on the Effects of the Targeted Jobs Tax Credit (TJTC) Program on Employers*, and Sar A. Levitan and Frank Gallo, "The Targeted Jobs Tax Credit: An Uncertain and Unfinished Experiment," *Labor Law Journal* (Vol. 38, 1987), p.645.

**Matter for
Consideration by the
Congress**

If the Congress wishes that a higher proportion of employers utilizing the TJTC program take special actions that benefit members of the targeted groups, then it could modify the program by imposing new requirements. For example, program requirements might involve employer outreach efforts to eligible populations, prescreening to determine eligibility prior to hiring decisions, or providing additional training or supervision to eligible workers to increase the likelihood of retention.

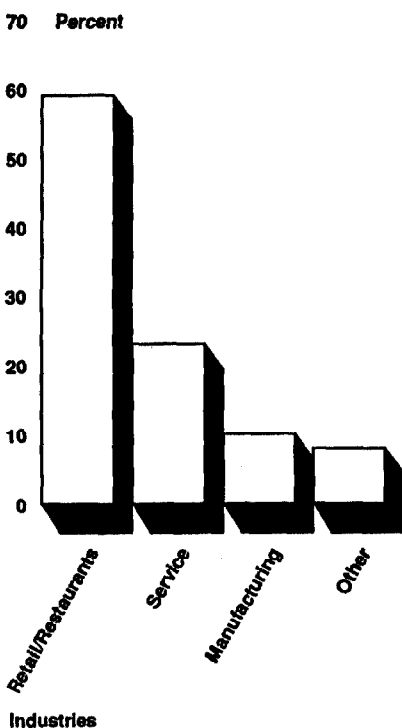
Description of Employers and Participants Using the Program

The most frequent users of the TJTC program are retail stores and restaurants. The majority of the workers certified under the program come from the disadvantaged youth and welfare recipients target groups. They generally fill entry-level positions requiring no work experience and low skills. The median hourly wage for TJTC workers was \$3.75. We found some TJTC workers with higher wages and higher-skilled jobs in manufacturing or construction work. However, these jobs went primarily to Vietnam veterans and ex-felons eligible for the program.

Retail Stores and Restaurants Most Frequent Users

As shown in figure 3.1, retail stores and restaurants were the most frequent users of the program. Of the 650 firms listed among the top 50 users of the program for the 13 states in our analysis, about 59 percent were retail stores and restaurants.¹ They also accounted for 68 percent of the certifications in fiscal year 1988.

Figure 3.1: Industrial Clasifications of Most Frequent Users of TJTC in 13 States (Fiscal Year 1988)



Industries

Note: Other includes the agriculture, communication, construction, finance, transporation, utility, and wholesale trade industries.

¹Retail stores account for 33 percent and restaurants 26 percent.

The service industry was next, with 23 percent of the top 50 TJTC users and about 21 percent of the certifications. Employers in the manufacturing, construction, finance, communication, and wholesale trade account for the remaining 18 percent of firms and 11 percent of the certifications.

Most TJTC Workers Are Youths

National data from the Department of Labor showed that about 60 percent of all the certifications issued in 1988 were for two groups—economically disadvantaged youth and summer youth. Welfare recipients were the second largest group of TJTC participants, with 25 percent of the certifications under three target groups—recipients of general assistance, Supplemental Security Income, or WIN/AFDC. (See table 3.1.)

Table 3.1: Nationwide Certifications by Target Group (1988)

Groups	Certifications	Percentage
Disadvantaged youths:		61
Youths (18-24)	282,640	57
Summer youth (16-17)	17,769	4
Welfare recipients:		25
WIN/AFDC	97,276	20
General assistance	18,244	4
Supplemental Security Income	5,994	1
Vocational rehabilitation	36,619	7
Disadvantaged ex-felons	22,404	5
Disadvantaged Vietnam veterans	16,366	3
Disadvantaged cooperative education ^a		^a
Total	497,312	101^b

^aCertifications for this target group are generally issued by individual schools rather than the Employment Service. As a result, the Department of Labor does not maintain statistical information on this target group.

^bTotal does not add to 100 percent because of rounding.

Our analysis of participant data from 13 states showed an age distribution similar to the national statistics. As shown in table 3.2, 70 percent of the TJTC participants were 24 years of age or under. In contrast, and as expected for a program focusing on entry into the labor force, less than 11 percent of the participants were 35 years of age or older.

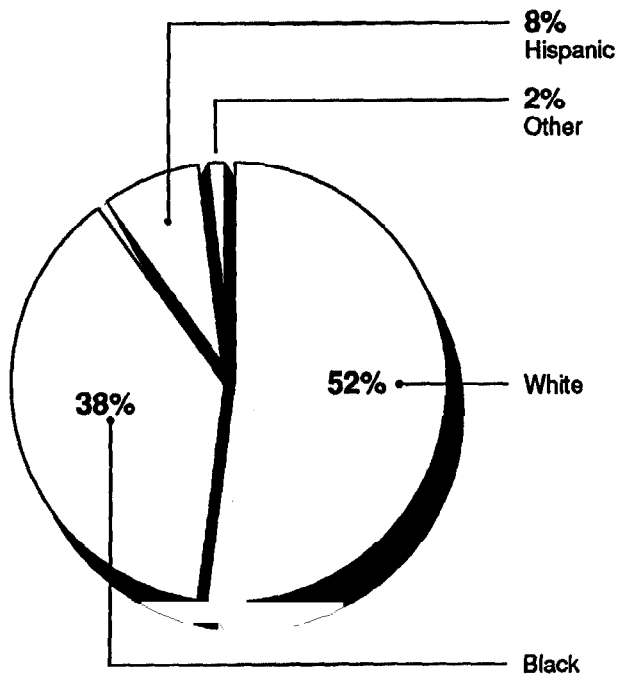
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Table 3.2: Age Distribution of TJTC Participants in 13 States (Fiscal Year 1988)

Age range	Percent
Below 18 years	4
18 to 22 years	45
23 to 24 years	17
25 to 34 years	19
35 to 54 years	10
55 years and above	5
Total	100

About half of the states in our analysis did not record participant race or sex. However, Alaska, Florida, Maryland, Michigan, New York, Ohio, and Wisconsin did report some demographic information on TJTC participants. As shown in figure 3.2, 52 percent of the participants in these states were white. These states also recorded sex, with women accounting for 54 percent of the participants.

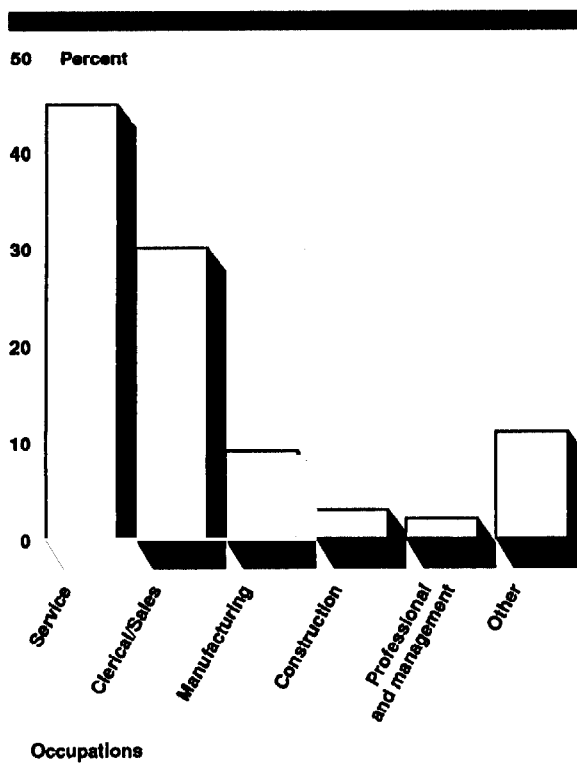
Figure 3.2: Race of TJTC Participants in 7 States (Fiscal Year 1988)



Participant Work Experience Generally in Low-Skill Positions

As shown in figure 3.3, about 75 percent of program participants, particularly those from youth and welfare target groups, worked in service and clerical or sales positions. Generally, these positions are characterized as requiring no prior work experience and only minimal skills, as well as paying low wages. In addition, employee turnover for these positions is often quite high.

Figure 3.3: Occupations of TJTC Participants in 13 States (Fiscal Year 1988)

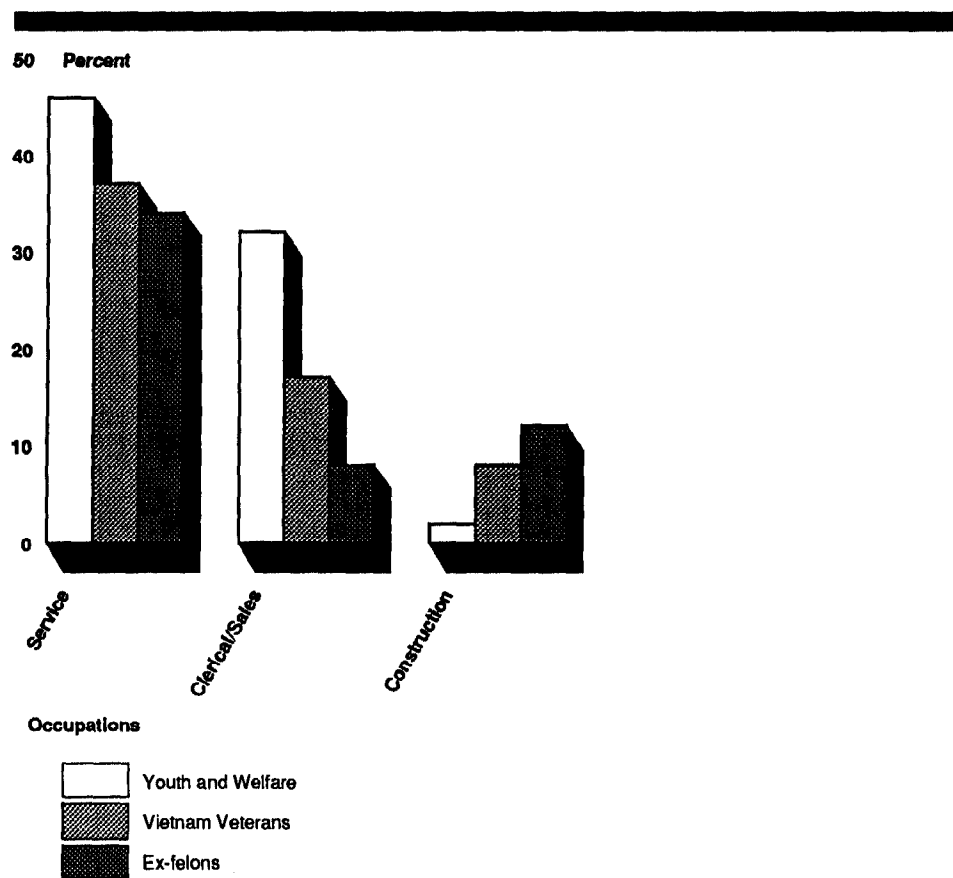


Note: The manufacturing category includes benchwork, machine trades, and processing.

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Although service and clerical or sales jobs dominated the occupations for each of the target groups, we found larger percentages of ex-felons and Vietnam veterans were in construction jobs compared with other target groups. About 12 percent of the ex-felons and 8 percent of the Vietnam veterans target groups had construction jobs through the TJTC program compared with 2 percent of the youth and welfare target groups combined. (See fig. 3.4.)

Figure 3.4: Comparison of TJTC Target Groups in Service, Clerical/Sales, and Construction Occupations in 13 States (Fiscal Year 1988)



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The median hourly starting wage for all TJTC participants from 12 states in our analysis was \$3.75,² compared with the minimum wage in 1988 of \$3.35. About 70 percent made \$4.00 or less. (See table 3.3.)

Table 3.3: Distribution of Starting Hourly Wages for TJTC Participants (1988)

In percent	
Wage range	Participants
Below \$3.50	31
\$3.50-3.75	22
3.76-4.00	16
4.01-4.25	5
4.26-4.50	6
4.51-4.75	2
4.76-5.00	5
Over \$5.00	13
Total	100

Although the median wage for most of the target groups was at or near the median for all target groups, the Vietnam Veteran target group had the highest starting wage and was well above the median (see table 3.4).

Table 3.4: Median Starting Wage of TJTC Target Groups (1988)

Target group	Median wage
All TJTC target groups	\$3.75
Disadvantaged youths	3.75
Welfare recipients	3.65
Vietnam veterans	4.50
Ex-felons	4.00
Vocational rehabilitation	3.95

²Of the 13 states in our analysis, 1 (Maryland) did not report specific hourly starting wage data.

TJTC Participants' Work Experience

Our review of 300 TJTC participants' work experience in Georgia and Louisiana showed that many workers had jobs before entering the TJTC program. We did not find any substantial differences in earnings resulting from the TJTC work experience when compared with the experience of other eligible workers. A comparison of workers' average quarterly earnings before and after participating in the TJTC program showed that their overall earnings increased after their participation; in addition, a group of 76 workers certified as eligible for the TJTC program, but with no work experience through the program, also showed increased earnings.

Prior Work Experience of TJTC Participants

To analyze the work experience of TJTC participants, we gathered quarterly earnings data for the 3-year period from October 1, 1986, through September 30, 1989, using unemployment files of 300 TJTC workers in Georgia and Louisiana certified during fiscal year 1988. We found that the prior work experiences of these workers varied significantly. Of the 300 workers in our sample, 105 had no quarterly earnings before participation in the TJTC program; in contrast, 150 had average quarterly earnings from \$1 to \$1,000 and 45, more than \$1,000 (see table 4.1).

Table 4.1: Average Quarterly Earnings Before TJTC Participation

Earnings	Workers
None	105
\$1-500	102
501-1,000	48
1,001-1,500	23
1,501-2,000	12
More than \$2,000	10
Total	300

Employees With No Prior Work Experience Had Significant Earnings Increases After TJTC

For the 105 participants with no prior work experience, the overall average quarterly earnings after TJTC participation was \$830. The amount of earnings, however, varied considerably. As shown in table 4.2, after TJTC, 9 workers had average quarterly earnings of more than \$2,000. In contrast, 44 workers had average quarterly earnings of \$500 or less.

Table 4.2: Average Quarterly Earnings for TJTC Workers With No Prior Work Experience

Earnings	Workers
None	
\$1-500	3
501-1,000	1
1,001-1,500	1
1,501-2,000	1
More than \$2,000	
Total	10

Employees With Some Prior Work Experience Showed Earnings Increase

For 150 workers with some prior work experience, the average quarterly earnings before TJTC was \$316; the average afterwards was \$801—an average increase of 153 percent. As shown in table 4.3, after their TJTC work experience, 53 workers had earnings of \$500 or less per quarter. In contrast, 29 workers had average quarterly earnings of over \$2,000.

Table 4.3: Average Quarterly Earnings for TJTC Workers With Some Prior Work Experience

Earnings	Workers
None	
\$1- 500	4
501-1,000	3
1,001-1,500	1
1,501-2,000	1
More than \$2,000	2
Total	15

Employees With More Work Experience Showed Less Earnings Increase

For the 45 workers with average quarterly earnings of more than \$1,000, the average quarterly earnings before TJTC was \$1,462; the average afterward was \$1,706—an increase of only about 17 percent. In addition, we found that average quarterly earnings for a third of the workers declined after their TJTC work experience (see table 4.4).

Table 4.4: Average Quarterly Earnings for TJTC Workers With More Work Experience

Earnings	Workers
\$1- 500	6
501-1,000	8
1,001-1,500	5
1,501-2,000	7
More than \$2,000	19
Total	45

Earnings of Workers Not Participating in TJTC Also Increased

The increase in average quarterly earnings for TJTC workers may be more related to the general transition to the workforce than to their participation in the TJTC program. Average quarterly earnings for TJTC-eligible workers certified in fiscal year 1988 who did not participate in the program also showed an overall increase in earnings after the quarter in which these workers were certified.¹

We found that 76 workers originally selected in our random sample of participants from Louisiana and Georgia did not earn wages with the certifying employer during fiscal year 1988. Of these 76 employees, 29 had no work experience in the year before certification; 39 had average quarterly earnings from \$1 to \$1,000 before certification. The remaining 8 workers had average earnings of more than \$1,000.

For the 29 workers with no prior work experience, average quarterly earnings rose to \$298. For the remaining 47 workers with at least some prior work experience, average quarterly earnings increased from \$335 to \$848—almost a 200-percent increase overall. Again, not all of the workers in our analysis had increased earnings: for 14 workers, average quarterly earnings decreased.

In addition, earnings after certification for these 76 workers varied: 37 workers had quarterly earnings of less than \$500; in contrast, 8 had more than \$2,000 in quarterly earnings (see table 4.5).

¹Examples of increased wages of TJTC participants and a control group were reported in Edward Lorenz, *The Targeted Jobs Tax Credit in Maryland and Missouri: 1982-1987*, Research Report No. 88-18 (Washington, D.C.: National Commission for Employment Policy, Nov. 1988).

Chapter 4
TJTC Participants' Work Experience

Table 4.5: Earnings for TJTC-Certified Workers That Did Not Participate in Program

Earnings	Workers
None	8
\$1- 500	29
501-1,000	9
1,001-1,500	17
1,501-2,000	5
More than \$2,000	8
Total	76

TJTC Target Groups for 1988

Summer youth employees who are 16 or 17 years of age on the hiring date, from an economically disadvantaged family (the definition of "economically disadvantaged" varies with location), worked for the employer between May 1 and September 15, and have not previously worked for the employer.

Youths aged 18 through 24 on the date of hire, from economically disadvantaged families (after 1988, youths aged 23 and 24 were excluded).

Cooperative education students aged 16 through 19 who participate in a qualified cooperative education program, have not graduated from a high school or vocational school, and are from economically disadvantaged families.

Vocational rehabilitation participants referred to employers from state vocational rehabilitation or Veterans Administration programs.

Vietnam-era veterans who are economically disadvantaged.

Ex-felons who are economically disadvantaged and hired no later than 2 years after release from prison or date of conviction, whichever is more recent.

Aid to Families With Dependent Children recipients who are eligible on the hiring date and have received benefits for 90 days immediately before being hired or an individual placed in employment under a Work Incentive Program (WIN).

Supplemental Security Income recipients who have received such benefits for any month ending within the 60-day period immediately preceding the hiring date.

General assistance recipients receiving assistance for a period of not less than 30 days ending within the 60-day period immediately preceding the hiring date.

State Ranking of TJTC Use (1988)

State	Number of TJTC certifications	Certifications as a percentage of state labor force
Texas	40,417	15
California	38,988	44
New York ^a	35,975	25
Louisiana ^a	24,440	1
Illinois	23,886	26
Ohio ^a	23,663	20
Florida ^a	21,181	34
Missouri ^a	14,450	10
North Carolina	14,261	23
Pennsylvania	13,818	46
Wisconsin ^a	13,818	12
Washington	13,446	9
Maryland ^a	12,929	13
New Jersey	12,389	36
Indiana	12,024	22
Michigan ^a	11,499	45
Georgia ^a	11,276	33
Virginia	11,111	32
Alabama	10,456	11
Tennessee	10,432	19
Kentucky	10,365	6
Oregon	9,422	5
Massachusetts	8,898	43
Mississippi	8,563	3
Minnesota	8,496	31
Arkansas	8,290	4
Arizona	7,246	21
Oklahoma	7,178	18
Iowa	6,994	17
Kansas ^a	5,439	24
Colorado	5,184	39
South Carolina	4,775	42
West Virginia	4,465	7
Nebraska	3,217	28
Idaho ^a	2,839	8
Connecticut	2,823	48
South Dakota	2,696	2
New Mexico	2,528	30

(continued)

Appendix II
State Ranking of TJTC Use (1988)

State	Number of TJTC certifications	Certifications as a percentage of state labor force
Nevada ^a	2,379	2
Utah	2,319	3
Montana	1,929	1
Maine	1,829	3
Alaska ^a	1,252	1
North Dakota	1,207	2
Hawaii	1,047	4
District of Columbia	1,008	4
Vermont	902	4
New Hampshire	849	5
Puerto Rico	796	5
Wyoming	792	3
Rhode Island	545	5
Delaware	515	4
Virgin Islands	66	5

^aThis state is one of the 13 states included in GAO's analysis.

Data Supporting Bar Graphs in Report Text

Table III.1: Industrial Classifications for Most Frequent Users of TJTC in 13 States (Fiscal Year 1988) (Fig. 3.1)

In percent	
Industrial classification	Firms
Retail/restaurants	59
Service	23
Manufacturing	10
Other	8
Total	100

Table III.2: Occupations of TJTC Participants in 13 States (Fiscal Year 1988) (Fig. 3.3)

In percent	
Occupation	Participants
Service	45
Clerical/sales	30
Manufacturing	9
Construction	3
Professional management	2
Other	11
Total	100

Table III.3: Comparison of TJTC Target Groups in Service, Clerical/Sales, and Construction Occupations in 13 States (Fiscal Year 1988) (Fig. 3.4)

Target group	Participants		
	Service	Clerical/sales	Construction
Youth and welfare	46	32	2
Vietnam veterans	37	17	8
Ex-felons	34	8	12

Major Contributors to This Report

**Human Resources
Division,
Washington, D.C.**

Sigurd R. Nilsen, Assistant Director, Employment and Training Issues,
(202) 523-8701

Detroit Regional Office

Robert T. Rogers, Evaluator-in-Charge
William G. Sievert, TAG Manager
Jerry W. Aiello, Site Senior
Bonita P. Anderson, Evaluator
Laurie M. Bruneel, Evaluator
Edmund O. Price, Computer Analyst
Susan E. Valasco, Evaluator
Karin A. Van Egmond, Evaluator

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