

The State Training and Employment Program (STEP)

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Unemployed workers get a step up in the workplace from the UI Trust Fund

The State Training and Employment Program (STEP) has improved the employment status of more than 10,000 Alaska workers since 1989 by using a small portion of unemployment insurance funds for job training.

STEP supported by UI Trust Fund

Funding for STEP comes from employees' contributions to the Unemployment Insurance Trust Fund, of which one-tenth of one percent is available to fund STEP programs. The investment in additional employment training and skills enhancement is intended to reduce participants' future reliance on the unemployment insurance system. The program is also charged with fostering growth of existing businesses, attracting new business to the state by developing a skilled workforce, and reducing employer unemployment insurance (UI) costs.

The program has provided workforce training to qualifying Alaskans who contributed to unemployment insurance in the previous three years. These are individuals who are currently receiving or have exhausted their unemployment insurance benefits, who lack employable skills, or whose skills have been outdated by technological change.

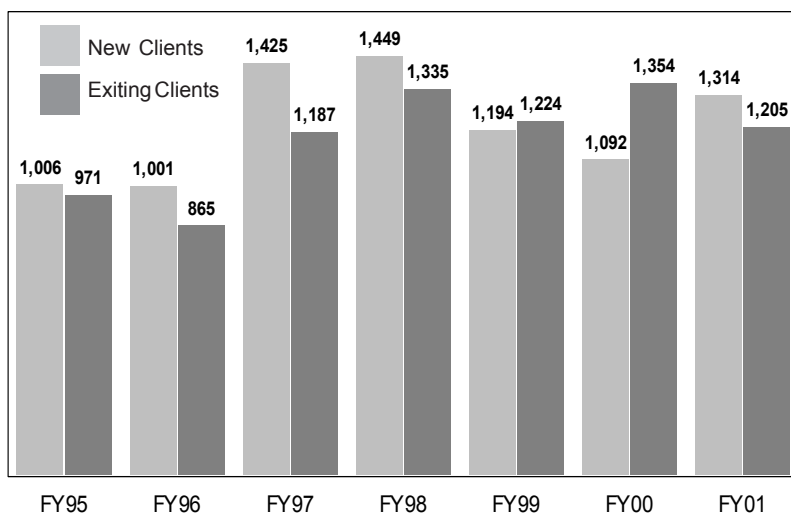
In the most recent state fiscal year, 2001, STEP enrolled 1,314 new clients, continued training for 254 clients enrolled in a prior fiscal year, and saw 1,205 clients exit the program. (See Exhibit 1.)

STEP serves clients in all regions of the state. Exhibit 2 shows the distribution of clients by region of the state for fiscal year (FY) 2001.

STEP provides a variety of job-related services

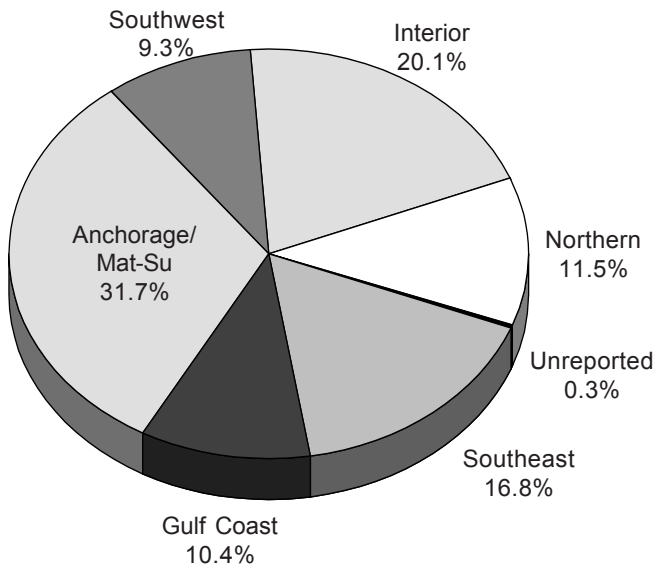
STEP funds services other than training, including career assessment and vocational counseling, classroom, high demand industry-specific training, on-the-job training, and supportive services. Relocation or other job-related assistance is possible when necessary to obtain or retain employment.

New and Exiting Clients STEP (State Training and Employment Program)



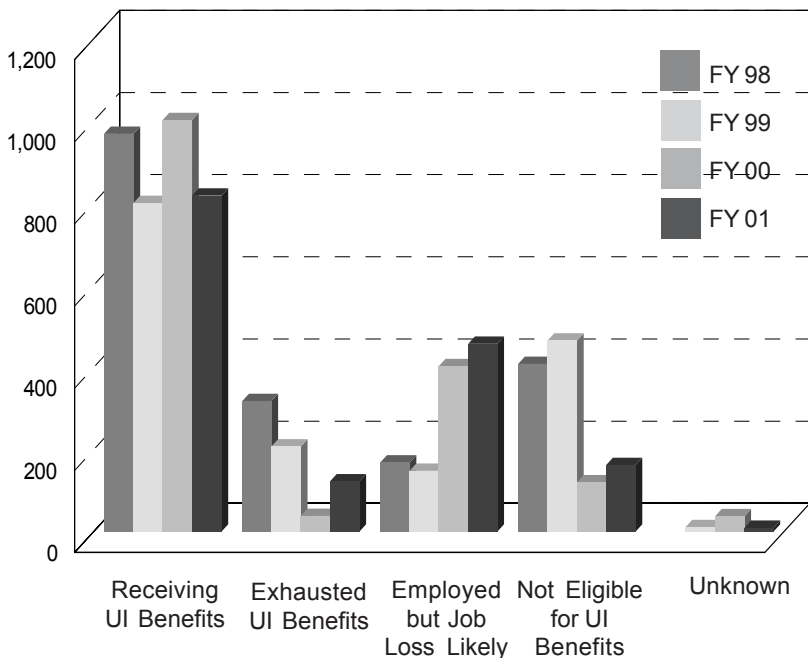
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

2 STEP Clients by Region FY 2001



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

3 STEP Clients by Eligibility Criteria



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

STEP gives grants to training providers

To broaden STEP's outreach programs and increase its training resources, STEP offers competitive grant opportunities to a variety of organizations that are interested in providing training. These organizations include public and private post-secondary educational institutions, private for-profit and not-for-profit businesses, union apprenticeship and training trusts, tribal entities, and economic development agencies. Alternatively, STEP awards grants directly to eligible clients. Based on individual needs, clients may seek specialized training from providers whose program is not funded by STEP.

Reasons for seeking STEP training

Most STEP applicants are eligible for the program because they are unemployed Alaskans. This was true for 940 clients in FY 2001. (See Exhibit 3.) Women, minorities, parents paying court-ordered child support, and those who have difficulty finding jobs are among those served.

While a person's unemployment status is the basis for determining eligibility, there are many additional reasons why an individual seeks training through STEP. During the enrollment process, the client has an opportunity to select from a list of characteristics describing themselves and their reasons for applying to STEP. Characteristics such as receiving welfare, having a disability, or lacking skills to obtain suitable employment in today's market, are disadvantages that can be viewed as barriers to employment.

The majority of clients for FY 2001 reported current unemployment as a reason for enrolling in STEP. Other common responses included age 45 and older, lack of skills, and annual earnings less than the median income. (See Exhibit 4.)

UI claims drop significantly after STEP

STEP training has successfully reduced claims for unemployment. Total benefits paid for all clients were reduced almost 65 percent following STEP training. Total benefits paid for those who previously exhausted their claims realized the most dramatic reduction at almost 74 percent. Claims from STEP clients against the UI Trust Fund have consistently declined over the last three years. (See Exhibit 5.)

UI claims for FY 2000 participants fell from 1,034 claims in the 15 months before their participation to 583 claims in the 15 months after they completed STEP, a reduction of 43.6%. (See Exhibit 6.) This exceeds the program's goal of a 40 percent reduction in claims.

Two years must pass after STEP completion before a final measure of UI payments can be calculated.

Since claimants have one full calendar year to draw on a claim, numbers may not include complete data for clients who filed a claim toward the end of the fiscal year being evaluated. For this reason, only clients who exited the program during FY 2000, the most recent year for which data are available, are included in the analysis.

Wage recovery—earnings increase after STEP

Another measure of STEP's success is wage recovery, or the ability of STEP clients who finish the program to earn wages comparable to or higher than those earned before entering STEP. It is notable that FY 2000 clients earned almost 11 percent more in the year after participation than in the year before training.

Barriers to Employment For STEP clients **4**

	FY 1999		FY 2000		FY 2001	
	Clients	Percent	Clients	Percent	Clients	Percent
Total number of clients	1,779	100%	1,600	100%	1,568	100%
No available jobs for skills	383	21.5	n/a	n/a	n/a	n/a
Area has limited suitable employment	616	34.6	n/a	n/a	n/a	n/a
Physical or mental disability	92	5.2	46	2.9	42	2.7
Age 45 and older	291	16.4	356	22.3	435	27.7
Household receives welfare (ATA or TANF)	203	11.4	215	13.4	123	7.8
More than 13 weeks receiving UI	299	16.8	n/a	n/a	n/a	n/a
Long-term unemployment due to lack of opportunity or limited skills	734	41.3	n/a	n/a	n/a	n/a
Current UI claimant	661	37.2	744	46.5	751	47.9
Enrolled in the AFDC-UP program	65	3.7	n/a	n/a	n/a	n/a
Paying court-ordered child support	99	5.6	93	5.8	91	5.8
Lack skills to obtain employment	731	41.1	835	52.2	833	53.1
Not working or face job loss due to changes in the economy or technical changes in the workplace	302	17.0	219	13.7	268	17.1
Currently unemployed	1,047	58.9	1,315	82.2	1,375	87.7
Referred as a UI profile client	140	7.9	185	11.6	149	9.5
Annual Earnings less than median income (\$33,032)	n/a	n/a	546	34.1	920	58.7

Clients may select more than one response on their enrollment form, so the sum of clients by barrier may exceed total clients.

n/a—The enrollment form changed for FY01, so not all categories from previous years are listed and some new categories have been added.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

This increase in earnings occurred despite the fact that three percent fewer FY 2000 clients worked in the year after STEP than the year before. Employed clients numbered 1,193 before STEP and 1,163 after STEP. (See Exhibit 7.) Clients entering the program have often been displaced from long-term jobs that provided relatively stable incomes. It is difficult to find a job requiring similar skills at the same level of pay with a different employer and, therefore, it is reasonable to expect average incomes to decline. Individuals

who leave the state after STEP cannot currently be tracked for employment and wages. Therefore, there may be additional employed STEP graduates who are not reflected in these numbers.

Clients who were not eligible for UI had the greatest percentage increase in wages after exiting STEP, even though they had the lowest total numbers. This is to be expected, since the majority of those clients were employed in seasonal,

5 Unemployment Insurance Activity Of terminated STEP clients

	15 Months Before			15 Months After			Percent Change		
	FY98	FY99	FY00	FY98	FY99	FY00	FY98	FY99	FY00
All Terminated Clients	1,335	1,224	1,354	1,335	1,224	1,354	n/a	n/a	n/a
Claims	979	893	1,034	539	529	583	(44.9)	(40.8)	(43.6)
Number of Claimants	858	805	891	506	503	544	(41.0)	(37.5)	(38.9)
Percent of Clients	63.7	65.8	65.8	37.9	41.1	40.2	(40.5)	(37.5)	(38.9)
Total Benefits Paid (in thousands)	\$2,880.3	\$2,747.5	\$3,143.4	\$1,252.7	\$1,217.9	\$1,114.3	(56.5)	(55.7)	(64.5)
Total Weeks Claimed	18,781	16,925	19,157	8,627	8,182	7,493	(54.1)	(51.7)	(60.9)
Exhausted Claims*	346	301	322	158	151	105	(54.3)	(49.8)	(67.4)
Number of Claimants	330	293	305	152	147	105	(53.9)	(49.8)	(65.6)
Percent of Claimants	34.2	37.4	36.1	31.2	30.0	19.3	(8.7)	(19.7)	(46.6)
Total Benefits Paid (in thousands)	\$1,232.1	\$1,136.4	\$1,242.1	\$512.9	\$483.3	\$323.6	(58.4)	(57.5)	(73.9)
Total Weeks Claimed	8,120	7,121	7,638	3,394	3,344	2,202	(58.2)	(53.0)	(71.2)
Early Intervention Claims**	247	240	294	102	98	123	(58.7)	(59.2)	(58.2)
Number of Claimants	201	196	233	97	97	121	(51.7)	(50.5)	(48.1)
Percent Exhausted Claims	26.7	26.7	24.5	27.5	24.4	13.0	2.7	(8.5)	(46.9)
Total Benefits Paid (in thousands)	\$641.9	\$671.0	\$796.2	\$274.9	\$237.9	\$254.9	(57.2)	(64.6)	(68.0)
Total Weeks Claimed	4,220	4,157	4,802	1,647	1,480	1,560	(61.0)	(64.4)	(67.5)

Note: Two years must pass after STEP completion before a final measure of UI payments can be calculated. Claimants have one full calendar year to draw on a claim, so data may not be complete for clients who filed a claim toward the end of the fiscal year being evaluated. Therefore, data for FY 00 post-STEP UI payments are preliminary. Clients who have left the program for any reason are referred to as terminated clients.

* Claims which have collected the Maximum Benefit Amount and are no longer eligible for UI payments.

** Claims filed five weeks before or 10 days after enrolling in STEP.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

part-time or temporary jobs prior to enrollment. Terminees who were unemployed and had exhausted their benefits earned 12.5% less in the four quarters after STEP, while those receiving UI benefits earned slightly more (2.6%).

In number of workers employed after training, the Employed-but-Job-Loss-Likely classification gained 24. The Ineligible-for-UI-Benefits group saw an increase of 17 individuals, while the Unemployed clients saw a decline of 64 individuals.

Activities with strong wage recovery measures were industry specific training (seven clients earned 28% more), employment assistance (three clients earned 17% more) and local job search/placement assistance (two fewer clients employed earned 17% more). Not all activities yielded an increase in wages in the first 12 months after STEP completion. Recovery of wages was the greatest in FY 1999 for clients whose last program activity was Work Tools, Clothing, and Gear. For FY 2000, however, wage recovery for that activity was minimal. Job Career Counseling and Staff Assisted Job Development activities showed significant decreases in post-STEP earnings for FY 2000.

Wage recovery varies by demographics and industry

As shown in Exhibit 8, the ability of clients to increase their wages after STEP varied with age, race, or gender. The likelihood of recovering wages decreased with age. The youngest workers, aged 16 to 25, had the greatest increase in wages (51%) while those 45 years and older earned less after STEP. The same number of females worked after training as before and earned 16.8% more. In contrast, 35 fewer males were employed post STEP and earned slightly more (5.5%).

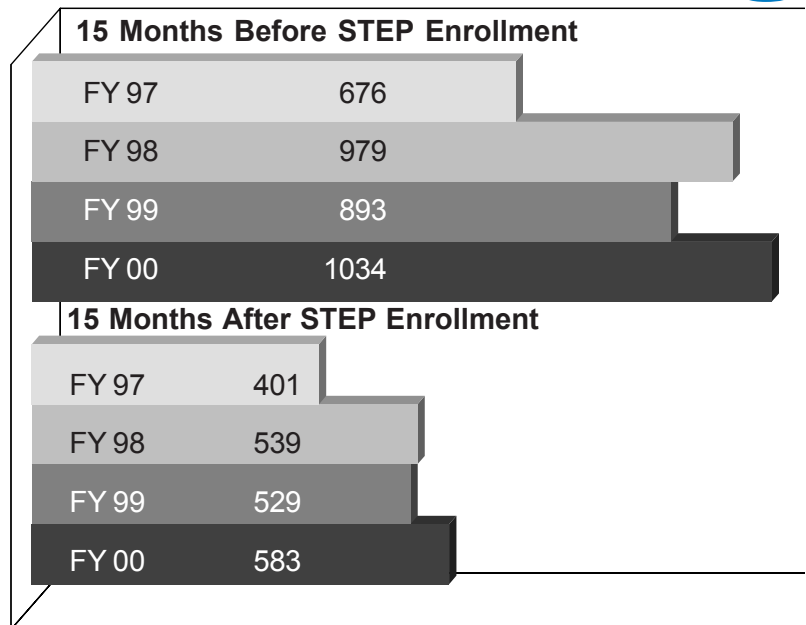
Wage recovery by industry met with varying degrees of success as well. Those clients employed in Mining, Construction, and Health Services industries fared the best in terms of change in

number employed and percent change in earnings. Agriculture lost two employees and Manufacturing lost seven, while the Services industry showed the largest increase, 98 workers. Business Services (a subset of the Services industry) lost five employees. The second brightest star in this group was the Construction industry, which added 90 employees to its rolls as a result of STEP training. (See Exhibit 9.)

STEP provides skilled workers

Nearly half of the clients exiting STEP training programs in FY 2000 successfully completed the program and left for employment. Of those, 60 percent, or 390 participants, entered newly created jobs. The remaining 40 percent filled vacant positions. The percentage of clients leaving STEP for a new job is slightly less than in FY 1999, but at 29 percent is well above the stated goal of 10 percent. A newly created job is one which did not exist in the calendar quarter preceding STEP

Number of UI Claims Filed By terminated STEP clients **6**



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

STEP Clients' Wages by Client Characteristic

Four quarters before and after training, FY 2000

	Number of Clients	Number Employed		Earnings		% Change in Earnings
		Before	After	Before	After	
All Terminated Clients	1,354	1,193	1,163	\$21,268,548	\$23,520,754	10.6
By UI Eligibility at First Enrollment						
Unemployed						
Exhausted UI benefits	34	28	26	\$492,776	\$430,938	(12.5)
Receiving UI benefits	830	771	709	15,235,312	15,626,052	2.6
Total Unemployed	864	799	735	15,728,088	16,056,990	2.1
Employed but job loss likely						
Change in required job skills	346	280	305	3,612,246	5,275,666	46.0
Reduction in the number of workers at place of employment	3	2	2	*	*	*
Elimination of job	10	10	9	356,164	230,103	(35.4)
Total Employed	359	292	316	3,968,410	5,505,769	38.7
Not currently eligible for UI benefits						
Insufficient wage contributions due to limited opportunity	61	49	56	551,945	878,618	59.2
Seasonal, temporary, part-time, or marginal employment	38	20	30	79,933	246,840	208.8
Underemployed	4	4	4	*	*	*
Total Not Eligible for UI	103	73	90	631,878	1,125,458	78.1
Unknown or Not Applicable	28	27	15	811,533	325,335	(59.9)
By Last Training Activity						
Customized Training	8	7	7	138,085	123,367	(10.7)
Occupation Skills Training	256	225	214	3,831,024	3,778,336	(1.4)
On-the-Job Training (OJT)	2	1	2	*	*	*
Case Management	103	93	85	1,655,464	1,455,248	(12.1)
Objective Assessment	15	12	13	213,388	191,480	(10.3)
Out-of-area Job Search/Placement	5	5	1	*	*	*
Relocation Assistance	6	5	4	*	*	*
Supportive Services	44	39	35	752,598	731,285	(2.8)
Local Job Search/Placement Assistance	13	11	9	196,331	229,842	17.1
Staff Assisted Job Development	5	5	5	120,093	90,244	(24.9)
Planned Inactivity/Holding	9	9	6	196,255	110,043	*
Basic Skills	4	3	2	*	*	*
Employment Assistance	434	369	366	5,845,474	6,859,921	17.4
Industry Specific Training	429	387	394	7,365,554	8,895,845	20.8
Job/Career Counseling	11	11	5	294,481	162,697	(44.8)
Other Employment Skills	1	1	0	*	*	*
Provide Equipment, Gear, Tools, Etc.	5	4	5	*	*	*
Vocational Exploration	4	4	3	*	*	*

* Data is nondisclosable.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

participation. Upon termination, the participant informs STEP if they are entering an existing job or a new job. A new job can include a new position with the same employer.

www.ajcn.state.ak.us/jt/step.html or by contacting the Alaska Department of Labor and Workforce Development's Employment Security Division, Job Training and Work Readiness Unit, P.O. Box 25509, Juneau, AK 99802-5509, Telephone: (907) 465-4863, Fax: 465-3212.

Summary

Workforce training is effective in helping to keep the Alaska economy competitive. Since 1989, STEP has proven itself valuable in helping Alaskans find and retain jobs. More information on the STEP program is available on-line at <http://>

For the complete State Training and Employment Program Review for FY99–FY01 visit the Alaska Department of Labor and Workforce Development's Research and Analysis website at <http://labor.state.ak.us/research/research/pub/step.pdf>.

Wage Recovery by Demographics

Terminated STEP clients four quarters before and after training, FY 2000

	Number of Clients	Number Employed		Earnings		Change in # Employed	% Change in Earnings
		Before	After	Before	After		
All Terminated Clients	1,354	1,193	1,163	\$21,268,548	\$23,520,754	(30)	10.6
By Age Group							
Under 25 years	237	206	208	2,222,676	3,358,346	2	51.1
25 to 34 years	369	331	324	5,947,234	6,482,094	(7)	9.0
35 to 44 years	458	401	388	7,466,421	8,448,834	(13)	13.2
45 to 54 years	234	205	194	4,694,988	4,130,844	(11)	(12.0)
Over 54 years	56	42	48	922,897	747,351	6	(19.0)
By Race*							
White	710	624	585	12,868,193	13,493,709	(39)	4.9
African American	63	50	55	533,779	883,312	5	65.5
Hispanic	41	38	37	629,477	676,720	(1)	7.5
Indian	522	464	468	6,933,045	7,967,775	4	14.9
Asian	33	30	25	509,939	403,712	(5)	(20.8)
Hawaiian	33	30	25	509,939	403,712	(5)	(20.8)
American Indian	518	460	464	6,835,439	7,830,975	4	14.6
Alaskan Native	522	464	468	6,933,045	7,967,775	4	14.9
By Gender							
Male	750	671	636	14,706,912	15,521,251	(35)	5.5
Female	604	520	520	6,547,304	7,646,217	0	16.8

* Clients may choose more than one race on their enrollment form, so the sum of clients by race may exceed total clients.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

9 Wage Recovery by Industry

Terminated STEP clients four quarters before and after training, FY 2000

	Number Employed		Earnings		Change in #Employed	% Change in Earnings
	Before	After	Before	After		
All Terminated Clients	1,193	1,163	\$21,268,548	\$23,520,754	(30)	10.6%
Agricultural Services	4	2	*	*	(2)	*
Mining	32	65	1,163,747	2,521,977	33	116.7
Oil & Gas Extraction	29	50	1,107,940	2,141,484	21	93.3
Construction	159	249	4,874,383	7,736,897	90	58.7
Heavy Construction-Highway and Street	36	86	1,484,724	3,260,647	50	119.6
Construction, except Elevated Highways						
Heavy Construction, except Highway and Street Construction	28	40	698,258	1,251,255	12	79.2
Construction-Special Trade Contractors	65	87	1,780,971	2,356,904	22	32.3
Manufacturing	32	25	534,559	608,197	(7)	13.8
Food and Kindred Products	15	12	117,990	170,765	(3)	44.7
Lumber and Wood Products, except Furniture	10	6	274,096	293,100	(4)	6.9
Transportation, Communications, and Utilities	46	62	1,020,241	1,650,762	16	61.8
Local and Suburban Transit and Interurban	8	10	96,154	166,397	2	73.1
Highway Passenger Transportation						
Water Transportation	5	10	83,132	177,730	5	113.8
Transportation by Air	5	9	132,203	228,746	4	73.0
Communications	9	11	401,768	483,722	2	20.4
Electric, Gas, and Sanitary Services	10	12	187,452	409,444	2	118.4
Wholesale Trade	15	20	236,664	281,582	5	19.0
Durable Goods	4	7	*	*	3	*
Nondurable Goods	11	13	159,849	140,638	2	(12.0)
Retail Trade	81	104	935,885	1,311,653	23	40.2
General merchandise stores	17	16	141,299	190,994	(1)	35.2
Eating and drinking places	34	43	292,239	507,401	9	73.6
Finance/Insurance/Real Estate	30	38	378,432	588,301	8	55.5
Real Estate	16	17	243,137	281,176	1	15.6
Holding and Other Investment Offices	10	10	76,661	121,016	0	57.9
Services	302	400	4,268,925	6,546,483	98	53.4
Business Services	35	30	472,950	548,901	(5)	16.1
Health services	36	77	580,610	1,545,620	41	166.2
Social Services	100	109	1,498,678	1,846,904	9	23.2
Public Administration, excluding Federal Government	57	62	883,854	935,730	5	5.9
Nonclassifiable establishments or not applicable	3	2	*	*	(1)	*

* Data is nondisclosable.

NOTE: Industry information is based on the UI wage database and may differ from that supplied by the client on the enrollment form. Clients with more than one employer are assigned to the industry in which the most wages were earned prior to training.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section