



Getting America back to work: Can training programs do the job?

Friday, September 07, 2012 | 8:30 a.m. – 12:30 p.m.

AEI, Twelfth Floor
1150 Seventeenth Street, NW
Washington, DC 20036
[About This Event](#)

POST-EVENT SUMMARY

In the shadow of a newly released jobs report showing continued anemic employment growth in the U.S. in August, economists gathered at an AEI event Friday morning to discuss one method of attacking rampant unemployment — job training. As Harry Holzer of Georgetown University described, training programs could potentially give unemployed workers better skills and could provide employers with more encouragement to hire those workers.

However, as Betsey Stevenson of the University of Michigan pointed out, the current system of job training is uncoordinated and fragmented at both the federal and state levels, making analysis of the system incredibly difficult. Jeffrey Smith of the University of Michigan then emphasized how few metrics exist to evaluate the performance of job training programs, and how poorly organized the existing data is. Panelists agreed that job training holds an important role in the labor market, but argued that it requires expanded metrics and more accurate analysis to pinpoint how it can best be organized and implemented in the U.S.

--Emma Bennett

EVENT DESCRIPTION

With unemployment and long-term joblessness at stubbornly high levels, many Americans look to job training as a way to reinvigorate the work force. The federal government currently supports over 40 different programs that provide job training and spends billions of dollars annually training and matching unemployed workers with jobs.

How effective are these training programs, and what are the best ways to organize them? What do we currently know about these programs' performance, and how can we improve the way they are assessed and evaluated? This conference will feature three

panels focused on publicly funded job training programs, their performance in the U.S. and possible reform ideas.

Agenda

8:30 AM

Registration and Breakfast

8:50 AM

Opening Remarks:

Steven J. Davis, University of Chicago and AEI

9:00 AM

Panel I: Best Practices in Job Training Programs

Presenter:

Lawrence Katz, Harvard University

Discussant:

Harry Holzer, Georgetown University

Moderator:

Kevin A. Hassett, AEI

10:00 AM

Break

10:15 AM

Panel II: The U.S. System of Publicly Funded Job Training

Presenter:

Jeffrey Smith, University of Michigan

Discussant:

Gary Burtless, Brookings Institution

Moderator:

Michael R. Strain, AEI

11:15 AM

Break

11:30 AM

Panel III: Perspectives on Reform of Publicly Funded Job Training

Panelists:

Paul Decker, Mathematica Policy Research

Betsey Stevenson, University of Michigan

Kenneth Troske, University of Kentucky

Moderator:

Steven J. Davis, AEI

12:30 PM

Adjournment

SPEAKER BIOGRAPHIES

Gary Burtless holds the Whitehead Chair in Economic Studies at the Brookings Institution. He researches issues such as poverty and the income distribution, public finance, aging, labor markets, social insurance and the behavioral effects of government tax and transfer policy. Burtless is co-author of “Five Years After: The Long Term Effects of Welfare-to-Work Programs” (1995), “Globophobia: Confronting Fears about Open Trade” (1998), “Growth with Equity: Economic Policymaking for the Next Century” (1993) and “Can America Afford to Grow Old? Paying for Social Security” (1989). He served as co-editor of the Brookings-Wharton Papers on Urban Affairs for five years and previously served as associate editor of the Journal of Human Resources. Burtless has written numerous scholarly and popular articles on labor markets, income distribution, pensions and the economic effects of Social Security, unemployment insurance and taxes. His recent work has assessed the impact of the 2008–2010 stimulus programs on U.S. social protection and the economy, evaluated the implications of financial market fluctuations for the design of optimal pension systems and estimated the impact of public and private health insurance on the distribution of American household incomes. Before coming to Brookings in 1981, he served as an economist in the policy and evaluation offices of the secretary of labor and the secretary of health, education and welfare. In 1993, he was visiting professor of public affairs at the University of Maryland.

Steven J. Davis studies unemployment, job displacement, business dynamics, the effect of taxes on work activity and other economics topics. He is deputy dean for the faculty and professor of international business and economics at the University of Chicago’s Booth School of Business. He is also a research associate at the National Bureau of Economic Research and an economic adviser to the U.S. Congressional Budget Office. He previously taught at Brown University and at the Massachusetts Institute of Technology. As a visiting scholar at AEI, Davis studies the ways in which policy-related sources of uncertainty affect national economic performance.

Paul Decker, president and CEO of Mathematica Policy Research, is a nationally recognized expert in the design, implementation and execution of evaluations of education and workforce development programs. Driven by the belief that good policy is based on rigorous research and objective data, Decker combines his research expertise and business acumen in pursuing Mathematica’s mission to improve public well-being. As a researcher, Decker is one of the nation’s leading experts on employment and training programs targeting dislocated workers and other unemployed individuals. He is president elect of the Association for Public Policy Analysis and Management and has served on the organization’s strategic planning committee and policy council.

Kevin A. Hassett is the director of economic policy studies and a senior fellow at AEI. Before joining AEI, he was a senior economist on the board of governors of the U.S. Federal Reserve System, an associate professor of economics and finance at the Columbia University’s Graduate School of Business and a policy consultant to the U.S. Department of the Treasury during the George H. W. Bush and Clinton administrations.

He served as an economic adviser to the George W. Bush 2004 presidential campaign, as chief economic adviser to Senator John McCain during the 2000 presidential primaries and as senior economic adviser to the McCain 2008 presidential campaign. Hasset also writes a column for National Review.

Harry Holzer joined the Georgetown Public Policy Institute as a professor of public policy in the fall of 2000. He served as associate dean from 2004 to 2006 and was acting dean in the fall of 2006. He is also currently a senior research fellow at the American Institutes for Research, a senior affiliate at the Urban Institute, a senior affiliate of the National Poverty Center at the University of Michigan, a national fellow of the Program on Inequality and Social Policy at Harvard University, a non-resident senior fellow at the Brookings Institution and a research affiliate of the Institute for Research on Poverty at the University of Wisconsin at Madison. He is also a faculty director of the Georgetown Center on Poverty, Inequality and Public Policy. Before coming to Georgetown, Holzer served as chief economist for the U.S. Department of Labor and was a professor of economics at Michigan State University and a faculty research fellow of the National Bureau of Economic Research. Holzer's research has focused primarily on the low-wage labor market, and, in particular, on the problems associated with minority workers in urban areas. In recent years, he has examined the quality of jobs as well as workers in the labor market, how job quality affects the employment prospects of the disadvantaged and worker inequality and insecurity more broadly. He has also written extensively about the employment problems of disadvantaged men, advancement prospects for the working poor and workforce policy more broadly.

Lawrence Katz is the Elisabeth Allison Professor of Economics at Harvard University and a research associate of the National Bureau of Economic Research. His research focuses on issues in labor economics and the economics of social problems. He is the author (with Claudia Goldin) of “The Race between Education and Technology” (Harvard University Press, 2008), a history of U.S. economic inequality and the roles of technological change that examines how the pace of educational advance affects the wage structure. As the principal investigator of the long-term evaluation of the Moving to Opportunity program (a randomized housing mobility experiment), Katz has also been studying the impact of neighborhood poverty on low-income families. He is also working with Claudia Goldin on a long-term project studying the historical evolution of career and family choices and outcomes for U.S. college men and women. His past research has explored a wide range of topics including U.S. comparative wage inequality trends; the impact of globalization and technological change on the labor market; the economics of immigration, unemployment and regional labor markets; the evaluation of labor market programs; the problems of low-income neighborhoods and for-profit higher education and the social and economic consequences of the birth control pill. Katz has been the editor of the Quarterly Journal of Economics since 1991 and served as the chief economist of the U.S. Department of Labor in 1993 and 1994.

Jeffrey Smith is a professor of economics and public policy at the University of Michigan. From 1994 to 2001, he was on the faculty at the University of Western Ontario, and from 2001 to 2005, he was on the faculty at the University of Maryland. His

research centers on experimental and non-experimental methods for evaluating interventions, with particular application to social and educational programs. He has also written papers examining the labor market effects of university quality and the use of statistical treatment rules to assign people to government programs. His recent publications include “Is the Threat of Reemployment Services More Effective than the Services Themselves?” (with Dan Black, Mark Berger and Brett Noel, 2003), “Does Matching Overcome LaLonde’s Critique of Nonexperimental Methods?” (with Petra Todd, 2005) and “Heterogeneous Program Impacts: Experimental Evidence from the PROGRESA Program” (with Habiba Djebbari, 2008). He has also been a consultant on evaluation issues to governments in the U.S., Canada, the United Kingdom and Australia.

Betsey Stevenson is an associate professor of public policy at the Gerald R. Ford School of Public Policy at the University of Michigan. She is also a research associate with the National Bureau of Economic Research, a fellow of the Ifo Institute for Economic Research in Munich and serves on the board of directors of the American Law and Economics Association. She served as the chief economist of the U.S. Department of Labor from 2010 to 2011. Stevenson is a labor economist who has published widely in leading economics journals about the impact of public policies on the labor market, with a focus on women and families and the value of subjective well-being data for policy analysis. She is also a columnist for Bloomberg View and her thoughts on the economy are frequently covered in both print and television media.

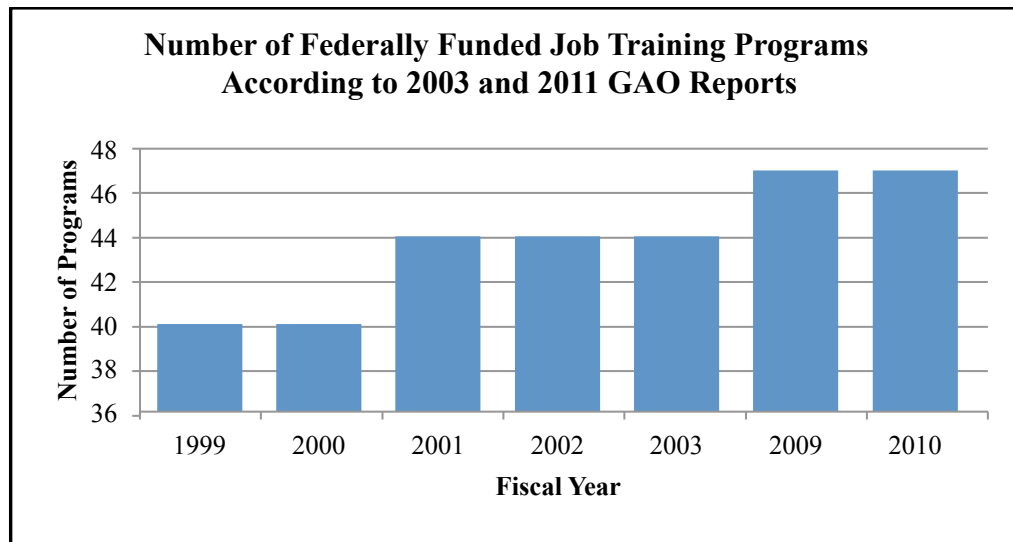
Michael R. Strain is a research fellow at AEI. An empirical microeconomist, his research fits broadly within labor economics and public policy. Specifically, he has written on the causes of labor market earnings volatility, how earnings volatility varies across workers, the effects of single-sex classrooms on students' education outcomes, job loss and its effects on workers and firms and the welfare effects of payday loans. Strain began his career in the research group of the Federal Reserve Bank of New York. Before joining AEI, he managed the New York Census Research Data Center, a U.S. Census Bureau research facility. As an economist with the Census Bureau's Center for Economic Studies, Strain was part of the research staff of the Longitudinal Employer-Household Dynamics Program.

Kenneth Troske is the senior associate dean of the Gatton College of Business, the William B. Sturgill Professor of Economics at the University of Kentucky and a research fellow with the Institute for the Study of Labor in Bonn, Germany. Troske served as a member of the Congressional Oversight Panel whose task was to assess the existing condition of America’s financial markets and the regulatory system and closely monitor the actions of the U.S. Department of the Treasury and financial institutions to determine if their actions are in the best interest of the American economy. He is also a member of the Federal Reserve Bank of Cleveland Lexington Business Advisory Council. Before moving to Kentucky, Troske was an assistant professor and an associate professor of economics at the University of Missouri. His primary research areas are labor and human resource economics. Troske has authored a number of widely known papers using employer-employee matched data on topics such as education, productivity, technology and discrimination. His most recent work has focused on evaluating various aspects of

the Workforce Development System in the U.S., the role of human capital in promoting the economic growth of a region and the impact of tax incentives on the creation of jobs in a region. His papers have appeared in many leading journals in economics including the Quarterly Journal of Economics, the Journal of Labor Economics, the Journal of Human Resources, the Review of Economics and Statistics and the American Economic Review.

Getting America back to work: Can training programs do the job?

U.S. Job Training Fact Sheet



Source:

2011 GAO report, Appendices II and III (<http://www.gao.gov/new.items/d1192.pdf>)

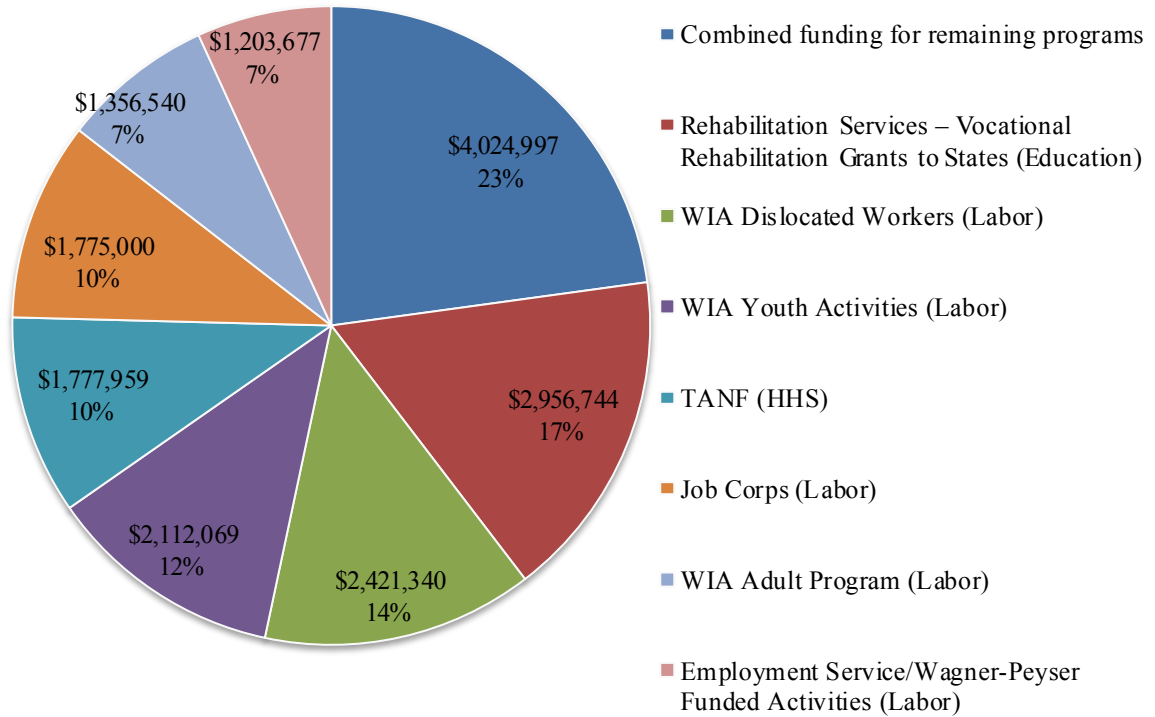
2003 GAO report, Appendix II (<http://www.gao.gov/new.items/d03589.pdf>)

The 2003 and 2011 U.S. Government Accountability Office (GAO) reports define job training programs as those that are, “specifically designed to enhance the job skills of individuals in order to increase their employability, identify job opportunities, and/or help job seekers obtain employment.” The GAO created its list of job training programs by searching the Catalog of Federal Domestic Assistance (CFDA) programs and limiting the results to include any program with these components.

Most of the federal job training programs covered by the GAO reports are run by the Department of Labor, Department of Education, and Department of Health and Human Services. In addition, the Department of the Interior, Department of Agriculture, Department of Defense, Environmental Protection Agency, Department of Justice, and Department of Veterans Affairs also operate one or more job training programs.

The chart on the next page is drawn from the 2011 GAO report on federally funded job training programs. The GAO consulted with federal agency officials to estimate the amount of government appropriations spent on employment and training services specifically. The chart breaks down the approximately \$18 billion spent on these services by program in Fiscal Year 2009.

Seven Programs Accounted for About Three-Fourths of the Funding Used for Employment and Training Services, Fiscal Year 2009 (dollars in thousands)



Source:
2011 GAO report, Figure 3 (<http://www.gao.gov/new.items/d11192.pdf>)

Glossary of Terms:
WIA - Workforce Investment Act
TANF - Temporary Assistance to Needy Families

The table on the next page looks at federal spending on selected job training and education programs in the U.S. Departments of Labor and Education, as compiled by the National Skills Coalition (NSC). The budget amounts come from the President’s annual budget reports.

U.S. Federal Budget for Selected Job Training and Education Programs
Key Discretionary Programs Under U.S. Departments of Labor and Education
(in millions of dollars)

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012: Current Year Projections	FY 2013: President's Budget Request
Department of Labor						
WIA/ES-Related Programs	\$ 3,577	\$ 3,831	\$ 3,902	\$ 3,583	\$ 3,528	\$ 3,555
DOL Competitive Grant Programs	248	125	279	756	675	750
Other DOL Programs ¹	2,256	2,694	2,934	2,566	2,541	2,543
Total DOL Selected Programs	\$ 6,081	\$ 6,650	\$ 7,115	\$ 6,905	\$ 6,745	\$ 6,848
Department of Education						
CTE and Adult Edu Programs	1,839	1,826	1,900	1,718	1,718	1,718
Total DOL and DOEd Selected Programs	\$ 7,920	\$ 8,476	\$ 9,015	\$ 8,623	\$ 8,463	\$ 8,566

<i>American Jobs Act (Proposed)</i>						
Pathways Back to Work Fund ²					\$	12,500
Reemployment NOW Fund ³						4,000
Community College to Career Fund ⁴						2,667
Career Academies ⁵						200
Total American Jobs Act					\$	19,367

Source: Compilation of the National Skills Coalition's federal funding analysis projections for FY 2010-2013 (www.nationalskillscoalition.org/federal-policies/federal-funding/federal-funding-analysis.html)

Glossary of Terms:

CTE - Career and Technical Education ES - Employment Services
DOEd - Department of Education WIA - Workforce Investment Act
DOL - Department of Labor

Notes:

- 1) Includes job training programs such as the Senior Community Service Employment Program, Employment Service National Activities, Job Corps, Youthbuild, Reintegration of Ex-Offenders, and Women in Apprenticeship and Non-Traditional Occupations
- 2) Would support immediate employment and training activities for unemployed and low-income individuals by subsidizing employment opportunities and funding summer and year-round youth employment programs
- 3) Would allow states the flexibility to better connect individuals experiencing long-term unemployment with job opportunities
- 4) Funding split between the DOL and DOEd and is intended to support job training partnerships between states, community colleges, and businesses. Funding would be available to support job training activities aimed at filling jobs in high-growth industries, including work-based strategies like registered apprenticeship and on-the-job training (OJT), paid internships for low-income students, and entrepreneurial training.
- 5) Would provide competitive grants to partnerships between school districts and local employers to develop career academies, which combine college preparation and CTE courses to help secondary students.

The Employment and Training Administration (ETA) is a subdivision of the Department of Labor. The table below summarizes ETA spending on program evaluations.

Percent of DOL's Employment & Training Administration (ETA) budget spent on Program Evaluation for FY 2004-2012 <i>Training & Education Services (TES) is a subdivision of the ETA</i> (dollars in millions)					
FY	Evaluation Expense	TES Budget	% of TES Budget spent on Evaluation	Total ETA Budget	% of ETA Budget spent on Evaluation
2004	\$9.0	\$3,609	0.25%	\$9,413	0.10%
2005	\$7.9	\$3,772	0.21%	\$9,562	0.08%
2006	\$7.9	\$3,383	0.23%	\$8,971	0.09%
2007	\$4.9	\$3,556	0.14%	\$9,158	0.05%
2008	\$4.8	\$3,545	0.14%	\$9,289	0.05%
2009	\$6.9	\$3,626	0.19%	\$10,200	0.07%
2010	\$9.6	\$3,700	0.26%	\$10,494	0.09%
2011	\$9.6	\$3,341	0.29%	\$9,745	0.10%
2012	\$9.6	\$3,193	0.30%	\$9,578	0.10%

Notes:

- 1) TES budget totals come from the FY 2013 "Budget in Brief"; table "Summary of Discretionary Funds, FY 2004-2013"
- 2) Evaluation totals for FY 2008-2012 come from Dept. of Labor "Budget in Briefs" for each respective year
- 3) Evaluation totals for FY 2004-2007 come from Dept. of Labor "Summary of Budget Authority, FY 1984 to 2009, By Year of Appropriation"

Source:

- 1) FY 2013 Dept. of Labor "Budget in Brief"; Table: *Summary of Discretionary Funds, FY 2004-2013* (http://www.doleta.gov/budget/docs/13ETA_BIB.pdf)
- 2) FY 2010 -2013 Budgets from the Dept. of Labor; "Budget in Brief" (http://www.doleta.gov/budget/eta_default.cfm)
- 3) Historical Budget Authority from the Dept. of Labor "Summary of Budget Authority, FY 1984 to 2009, By Year of Appropriation" (http://www.doleta.gov/budget/eta_default.cfm)

The Four U.S. Jobs Challenges: The Role of Training & Employment Programs

Lawrence F. Katz, Harvard University

September 7, 2012

The Four U.S. Jobs Challenges

- (1) Continuing Macroeconomic Unemployment Issues: High Cyclical Unemployment/Nonemployment, Weak Labor Demand, and the Short-Run Job Creation Challenge
 - (2) Persistent Economic and Social Costs of Job Loss, Long-Term Joblessness, & a Sclerotic Labor Market with Low “Churn”
 - (3) Longer-Term Structural Labor Market Changes: Rising Inequality, Losing *The Race Between Education and Technology*, and the Polarization of Labor Demand
 - (4) The problems of disadvantaged and dislocated workers even in a “full employment” (normally functioning) labor market
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Role of Training and Employment Programs I

- Challenge 1: We need a stronger macroeconomy (stronger hiring & labor demand) for training programs to be effective
 - Firms much more willing to take chances on disadvantaged, young, nontraditional, and unemployed workers in stronger labor market – Okun (1973); Katz-Krueger (1999); Freeman; Hoynes et al. (2012) on benefits of high-pressure economy for disadvantaged
 - High displacement rates of employment programs in weak labor markets and little displacement in strong labor markets – musical chairs vs. net gains
 - Crépon et al. (2012) find this in a remarkable large-scale randomized field experiment in France examining displacement effects of job search assistance services
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Role of Training and Employment Programs II

- Training and reemployment services needed to try to ameliorate long-term unemployment, displaced worker, and disconnected youth and young adult labor market problems lingering from the Great Recession (Challenge 2)
 - Needed to help offset long-term issues of structural changes in labor demand & decline in traditional “middle wage” jobs especially for non-college workers (those with less than a BA)
 - Post-secondary training, education, and certification necessary for “middle class” jobs and upward mobility (Challenge 3)
 - Training & reemployment programs key for addressing persistent poverty, disadvantaged workers, and normal churn and displacement (Challenge 4)
-

The U.S. Jobs Deficit

	Civilian Population	HH Employment	E/POP (%)	LFPR (%)	Unemp Rate (%)
Nov 2007	232939	146595	62.9	66.0	4.7
July 2012	243354	142220	58.4	63.7	8.3

The U.S. has a current “jobs deficit” of between 5.5 and 10.9 million jobs

Need 10.9 million household (and similar establishment number) to get to pre-Great Recession E/POP

But secular labor force participation decline even before Great Recession - if accept LFPR decline then 5.5 million jobs deficit

Consensus view from Krugman to Lazear that this is largely an ongoing cyclical problem (low aggregate labor demand)

The Human Costs of Permanent Job Loss

- Large Long-Term Costs of Displacement from a Stable Job in Terms of Permanent Earnings Declines and Health Consequences
 - Workers displaced from stable jobs in 1982 recession lose 30% of earnings immediately and still have 15-20% lower earnings even 15 to 20 years later – Von Wachter, Song, and Manchester (2011) using SSA data
 - High-seniority male workers experience a sharp (50-100%) increase in mortality rate the year after displacement and 10-15% higher mortality even 20 year after displacement – Von Wachter & Sullivan (2009 *QJE*)
 - Larger mortality effects for those with larger permanent earnings losses
 - Loss of specific human capital, rents, and social status
 - Large group of displaced workers move onto Disability Insurance roles and never return to work – increasingly younger – long-run fiscal issue
-

Further Long-Run Costs of High Unemployment

- Intergenerational Impacts of Job Loss
 - Father's permanent job loss when one is an adolescent is associated with substantially reduced (9% lower) earnings as an adult – Oreopoulos, Page and Stevens (2008 *JOLE*)
 - Parental job loss associated with reduced academic performance and higher grade repetition– Stevens and Schaller (NBER WP 15480, 2009)
 - Entering a Labor Market in a Recession – Short-run impacts of lower earnings from starting in lower-wage jobs gradually partially made up with geographic and inter-firm moves –(Oreopoulos et al 2012; Kahn 2009)
 - Property crime is sensitive to labor market conditions → high unemployment can permanently scar youth with criminal records and through incarceration – but not apparent now with large property and violent crime declines 2007-12
 - Sclerotic Labor Market: Productivity and life cycle earnings losses from low “Churn” – 1/3 of earnings growth in first 5 years in labor market – losing out of job mobility opportunities for younger workers as older workers hold onto jobs creates potential long-run problems
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U.S. Wage Inequality Trends and Issues

- Long-Run (3 decade) Increase in Wage Inequality and Educational Wage Differentials: SBTC, Slowdown in Education Supply Growth, Institutions
 - *Race Between Education and Technology* and eroding institutions to support middle and lower wage workers
 - Rising education (college and post-college) returns 2/3 of rise in inequality of bottom 99.5% – within college wage inequality most of the rest
 - **Polarization of U.S. Labor Market** over the Last Two Decades
 - Computerization and Outsourcing/Offshoring Trends
 - Great Recession exacerbated these patterns in eliminating jobs in the middle (construction, manufacturing, middle management) affecting high-wage non-college males and lower half of college wage distribution
 - Finance Sector Key Role in Wage Inequality in 1990s and 2000s; declines in protective institutions (unions, minimum wage), norm shifts contribute
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Changes in Male Log Hourly Wages by Percentile Relative to the Median

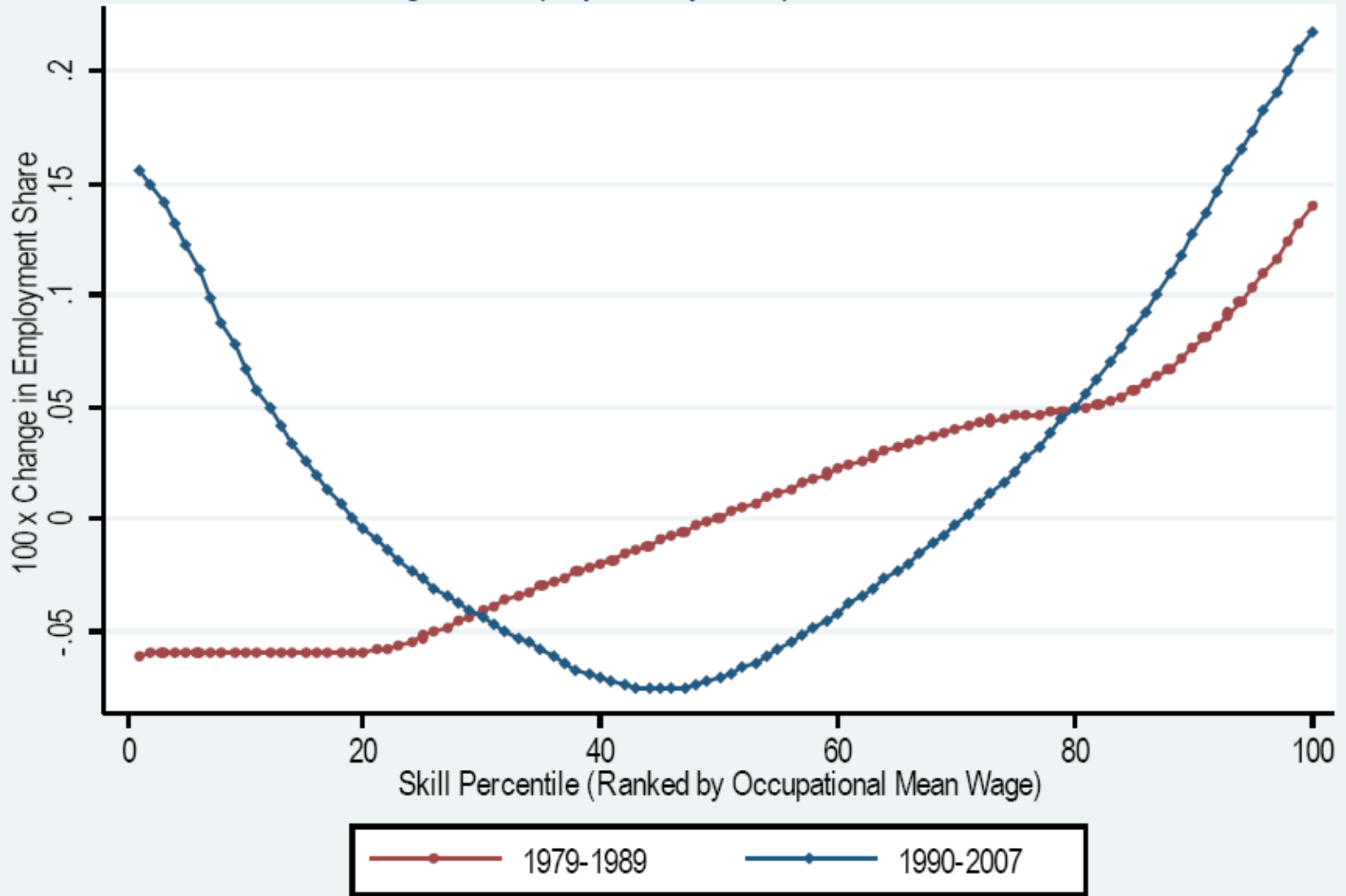


Source: May/ORG CPS data for earnings years 1973-2009. The data are pooled using three-year moving averages (i.e. the year 1974 includes data from years 1973, 1974 and 1975). For each denoted time period, the change in the 5th-95th percentile of log weekly wages is calculated.

Acemoglu and Autor (2011)

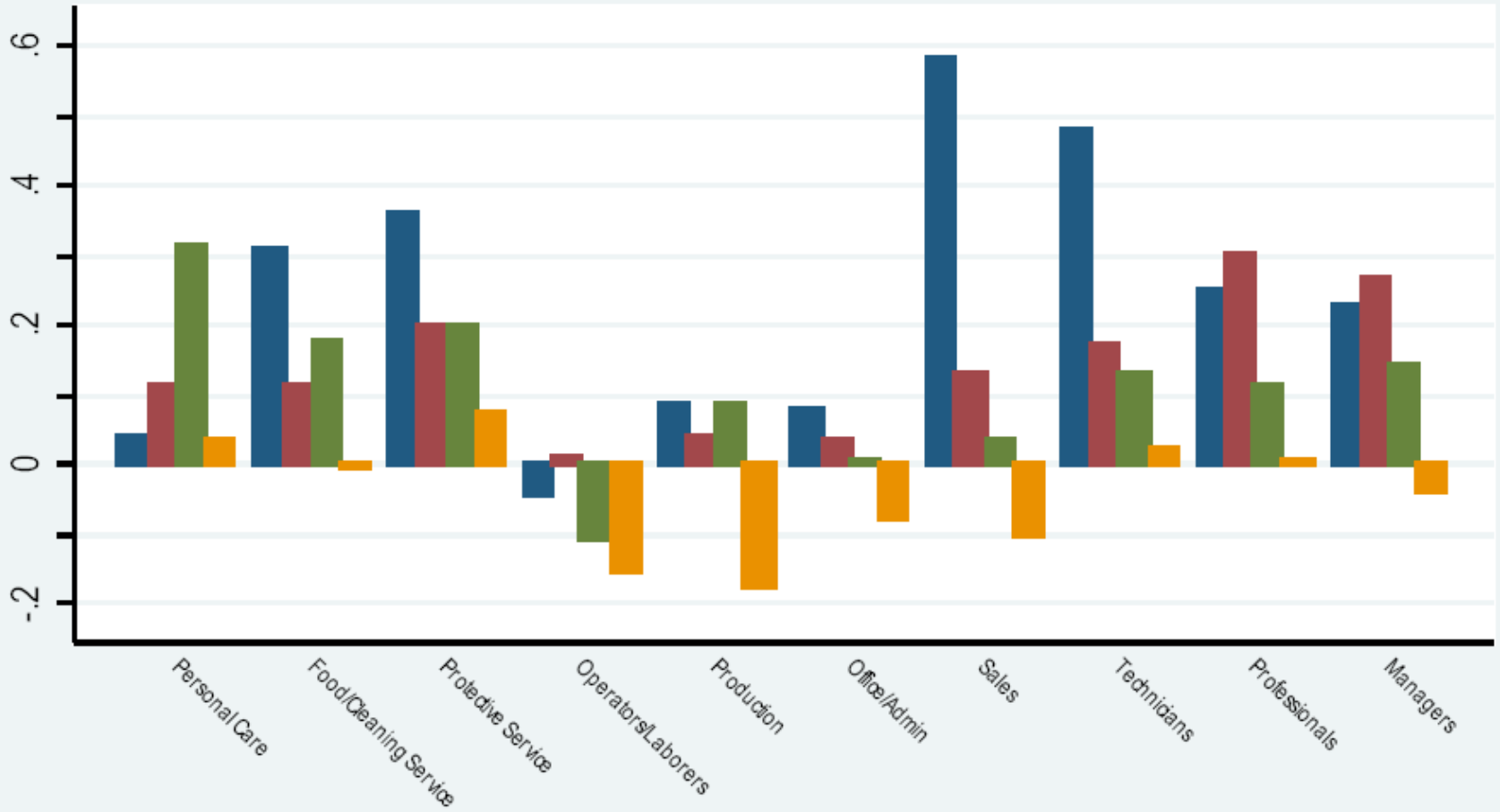
Figure 6

Smoothed Changes in Employment by Occupational Skill Percentile 1979-2007



Acemoglu-Autor (2011)

Percent Change in Employment by Occupation, 1979-2010



Promising Directions for Training the Disadvantaged

- **Sectoral Employment Programs** with employer involvement, training and life skills component, job development and placement, and retention/follow-up services
 - Develop training to match employer needs
 - PP/V evaluation of large 2 year earnings impacts
 - Examples: Per Scholas, JVS, Project Quest in Texas
 - Programs with Evidence of Long-Run Benefits
 - Career Academies
 - Jobs-Plus (vs. MTO and role of skills vs. neighborhoods and spatial mismatch)
 - Job Corps
 - Intensive Training with broad supports more effective than work-first programs – Autor-Houseman (AEJ: Applied 2010)
-

Job Training and Choice

- Old model of CETA & JTPA: directed
 - Current model of WIA: choice
 - ITAs, Training Vouchers
 - Choice is good, but qualified
 - When it works, efficient outcomes
 - But can fail when individuals are choosing poorly
 - Fragmented system with different entry points and eligibility rules makes participation and choice difficult
 - Be realistic about what markets provide
 - Evaluations
 - MDRC Work Advancement and Support Centers
 - Mathematica ITA Guided vs. Structure Choices
-

Job Training and Choice: Implications

- Policy might have to structure choice architecture to direct competition -- Nudge unit in UK under Cameron
 - Going Beyond the Market for training
 - Market for helping individuals choose
 - Set up: assignment to counselors, incentivizing intermediaries
 - Prevent cream skimming – randomly assign to intermediaries and make them responsible for long-run outcomes (earnings)
 - Experiences with these approaches in U.S. mandatory welfare-to-work programs and European systems (UK, France, Germany)
 - Need Reporting requirements on student outcomes for training/education providers
 - For-profit higher education cautionary tale: Nimble critters vs. Agile Predators – Deming, Goldin, and Katz (*JEP* 2012)
-

Dislocated Workers and Disadvantaged Adults

- Education and Training for Displaced Workers and Disadvantaged Adults
 - Community college training for courses leading to certificates and degree have modest returns for displaced workers – Jacobson, LaLonde, and Sullivan (2005)
 - Little evidence of positive impacts from WIA and other federal job training programs for dislocated workers
 - Some evidence of positive effects for disadvantaged adults
 - Many moving into For-Profit Higher Education funded by Pell grants and federal student loans and limited evidence of returns; 20 to 25% of revenue on marketing
-

Wage Insurance as an Option for Dislocated Workers

- “Retrospective Wait Unemployment” problem for permanently displaced workers – waiting for the old job to return
 - Wage expectations backward looking and potentially biased
 - Key issue for displaced non-college males from manufacturing and construction
 - Wage-Loss Insurance as Possible Policy Response
 - Make up part of earnings loss when take a new job
 - Dynamic path of high initial replacement rate declining over time to allow adjustment
 - Could facilitate displaced workers taking jobs with lower initial wage, training, and wage growth
 - Eligibility issues: previous tenure, earnings history, and age
 - Horizontal equity and targeting issues
 - Canadian ESP Pilot – little impact on re-employment rate but improved earnings – Bloom et al. (2001) – not a higher initial replacement rate
-

World Class Active Labor Market Programs: Necessary Conditions

Jeffrey Smith
Professor of Economics and Public Policy
University of Michigan

Getting America Back to Work: Can Training Programs Do the Job?
American Enterprise Institute
September 7, 2012

Introduction

Thanks for inviting me!

Who is that man and why is he here?

My focus: the long run – not just getting people back to work now but on-going improvement in US labor market programs

Defining terms

The sorts of programs we are discussing

ALMP = active labor market program (versus passive programs like UI)

I will treat this, with a slight abuse of terms, as synonymous with “job training program”

The evaluation problem

Outcomes = the labor market experience of someone who does or does not participate in a program

Impact = the difference in outcomes between the world where a person participates and the world where s/he does not

Sometimes called “value added” or “additionality”

Big picture

Evaluation policy versus policy evaluation

Some policy decisions affect how all programs get evaluated

Data

Design / implementation

Institutions

Disinformation

Performance management

Participant evaluation

Examples of evaluation policies

Decisions on various dimensions are interrelated in important ways

Northern Europe = Nordic countries + German-speaking countries

- High quality register data

- High quality program data

- Data sometimes linked and clean for evaluation

- Rarely do random assignment

- Sometimes design / implement to facilitate evaluation

- Quasi-independent research institutes

Canada – UK, NZ and Oz are similar, eh.

- Medium quality admin data

- Medium to low quality program data

- Hard to access data even for evaluations

- Rarely do random assignment

- Sometimes design / implement to facilitate evaluation

- Weak evaluation industry relative to US – IFS in the UK an exception

Examples of evaluation policies (continued)

USA – go team!

Medium quality admin data

Medium quality program data

Challenging to access data (in several senses), even for evaluations

See e.g. Heinrich et al. and Andersson et al.

Do more random assignment than all others but could do more

Sometimes design / implement to facilitate implementation

Many evaluations assume “selection on observed variables”

Strong evaluation consulting industry

Historically too much focus on methods, not enough on data

Everywhere else

Best not to think about it

Data: quality

One simple example:

Quality: get the dates right on service receipt and enrollment!

Issues: line workers lack an incentive to do this

Issues: manipulation due to performance management concerns

Implication: unable to study dose-response models

Implication: hard to study service sequences

Good software and good training (and a signal that someone cares) can solve such problems.

Data: quantity

What should be measured?

Think about the conditional independence assumption:

More on pre-existing skills

Caseworker evaluations (some of the Europeans do this)

Ability measures

Non-cognitive skills

More generally: a research program to figure out what should be measured

Ex: Andersson, Holzer, Lane, Rosenblum and Smith

Data: costs

Did Farrell's Ice Cream Parlor have better cost data in 1979 than WIA has now?

Yes, there are some challenging cost allocation problems.

That's what accountants (advised by economists) are for!

Should know average and marginal costs for every service in every SDA both mean and, for classroom training, variance

Data: linkages

Receiving payments / services should imply permission for data use and linkage
Build a wall between research and audit uses

States that receive federal money should be obliged to provide program data
Why should the feds give money for nothing?

Create cleaned research files (like the RAND HRS file)
No reason for everyone to clean the data over and over again
Example: German integrated employment biographies

Good data plus reasonable access = lots of free policy-relevant research

Easy linkage would facilitate long-term follow-up; this should be routine
Why are there no long term results for e.g. the National JTPA Study?

Design / implementation

Do experiments

Do experiments first and then roll out the program if it works

If you can't do an experiment, set up programs to facilitate identification

- Staggered rollout

- Discontinuities in tax rates / eligibility levels

 - Many current regression discontinuity analyses are just good luck

Design / implementation and evaluation are complements

Lots of interesting questions besides the ATET

- Example: Mathematica ITA study

Institutions

Chief evaluation officer at DOL a good start ...

Will it last?

Is it independent enough?

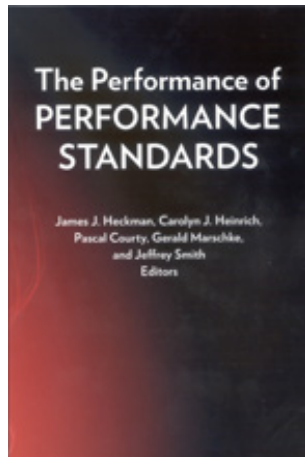
Is it well enough resourced?

Should there be more academics on short-term appointments?

Post-docs?

Disinformation: performance management

Someone should write a book about this!



The current system confuses outcomes and impacts.

The current system distorts the behavior of local centers.

The current system provides a misleading sense of program impacts

Example: National Job Corps Study analysis

Disinformation: participant evaluation

Why not ask people if the program helped them?

For existing questions, the evidence suggests they don't know or can't say.

See e.g. Smith, Whalley and Wilcox (2011).

Bottom lines

We could do worse, but we could do a lot better

Knowledge is power

Experiments are not a substitute for thinking, but do more experiments

Data is one key margin (on which we are presently going in reverse)

Design / implementation is a second key margin

Institutions for policy research and evaluation are the third key margin

Many avenues for improvement

- Some of these would cost very little

- Even those that would not have strong cost-benefit cases

Comments

Getting America Back to Work: Can Training Programs Do the Job?



**AEI Conference
September 7, 2012**

Gary Burtless

Can training programs do the job?

- If “*Do the job*” is the same as “*Cut the unemployment rate to 5%*”: **NO**.
- If it means “*Cut the unemployment rate at full employment*”: **YES it can, but modestly.**
- If it means “*Replace government transfers for the unemployed*”: **NO, and it’s not even close.**
- If it means “*Deliver social benefits that exceed net social costs*”: **YES, especially in a deep recession.**

How do we know what training programs to support?

- The central evaluation problems for training:
 1. What works for whom?
 2. Why do successful programs succeed? Why do unsuccessful programs fail?
- The methodological solution to problem #1:
Many, many small-scale randomized trials.
- The methodological solution to problem #2:
Maybe we'll find out after performing the randomized trials.

What small-bore experiments can't tell us



- Small-scale experiments can help identify successful strategies ... if adopted on a small scale
- By themselves, they cannot give definitive evidence about macro-level effects.
- Small-scale interventions can be helpful for participants if they bring them to the front of the unemployment queue.
- The same interventions may have little macro effect if the length of the unemployment queue is left unchanged.

Perspectives on Reform of Publicly Funded Training

Paul Decker, Ph.D.
Mathematica Policy Research

MATHEMATICA
Policy Research

Approaches That Show Promise

- **Sector-focused training and greater employer engagement**
- **Training and support that is intensive, comprehensive, or customized**
- **Reemployment assistance**

Sector Focus and Greater Employer Engagement

Concept: Engage employers, often through public/private partnerships, and respond to employer needs; build trust (overcome potential stigma)

- Positive evidence cuts across different populations and program settings (Sectoral Employment Initiative, New Hope, Employment Resource Networks, Career Academies, apprenticeships)
- Market evolving in this direction (slowly)

Challenges: Need more evidence; scalability; defining proper role of public sector

Training/Support that is Intensive, Comprehensive, or Customized

Interventions that generate long-term impacts often have one or more of these characteristics.

Examples exist across different populations and program settings:

- Youth: Job Corps, sectoral training, apprenticeships, Career Academies
- Hard-to-serve adults: Home visitation and life skills education
- Unemployed adults: More customized WIA Individual Training Accounts (ITA Experiment)

Case Study: Individual Training Accounts

ITA experiment used random assignment to compare relative effects of different approaches to administering ITAs:

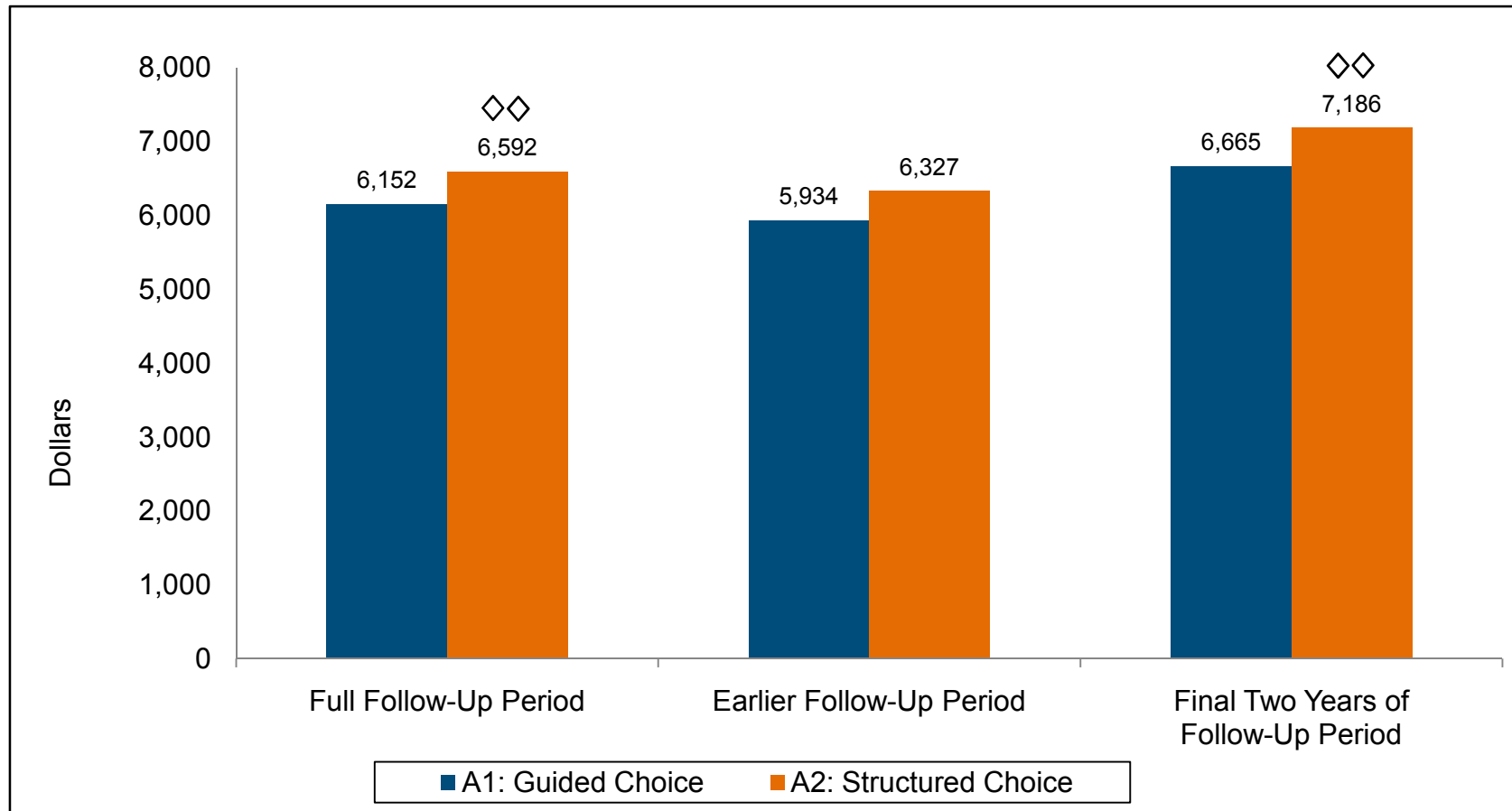
- **Guided Choice**

- status quo
- modest mandatory pre-training counseling
- participant ultimately decides on training
- award amounts fixed and limited

- **Structured Choice**

- more intensive, prescriptive counseling
- customized award amounts (critical)

Average Quarterly Earnings During the Follow-Up Period (7+ years after random assignment)



◇◇◇/◇◇◇ Difference between A1 and A2 is significantly different from zero at the 0.01/0.05/0.10 level.

Source: Perez-Johnson, Moore, and Santillano (2011).

Case Study: Individual Training Accounts

- In relative terms, Structured Choice highly cost effective

How did Structured Choice change the training experience?

- Compared with Guided Choice assignees, Structured Choice assignees had similar training rates and chose broadly similar training occupations, but they also were more likely to:
 - Choose a private provider (and less likely to choose a community college)
 - Finish training and earn a certificate or degree
 - Find a job directly related to their training

***Note: Despite WIA flexibility and the ITA findings, sites so far have rejected the structured choice approach**

Reemployment Assistance

■ Job Search Assistance

- Modestly effective in speeding reemployment and boosting earnings in the short run; cost-effective; works for broad population (expand beyond worker profiling targets?)
- Multi-faceted
- Requirements may be critical, but findings not clear
- Intensity probably matters, but customized versions can work

■ Reemployment Wage Supplements

- Not yet tested rigorously in the U.S.
- Positives: could be scaled up quickly; appropriate for older or long-tenured displaced workers; pay people to work rather than not work
- Trade Adjustment Assistance—wage supplement for older workers rarely used; perhaps too complicated or inaccessible

Summary

- **Promising approaches and successful models exist**
- **Rigorously test promising approaches**
- **Address the barriers to implementation/scale**
- **Improve program performance metrics**