



# TESTIMONY BEFORE THE SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES, COMMITTEE ON APPROPRIATIONS, U.S. HOUSE OF REPRESENTATIVES

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# TESTIMONY BEFORE THE HOUSE SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES, COMMITTEE ON APPROPRIATIONS

Good morning Chairman Rehberg, Ranking Member DeLauro and Members of the Subcommittee. Thank you for inviting me to testify about employment and training programs authorized under the Workforce Investment Act (WIA)—their goals, services, effectiveness, and recommendations to better ensure positive results for job seekers and businesses.

The nation is at a crossroads, facing two urgent priorities. We must restore fiscal discipline by reducing the Federal deficit and shrinking our long-term debt. At the same time, we also must grow the U.S. economy in the face of intense global competition—increasing employer productivity, expanding markets, creating jobs, and expanding employment and economic opportunities for all Americans. Most experts agree economic growth and broadly shared prosperity depend in large part upon the education and skills of America’s workforce.

As Congress and the Administration engage in negotiations on the full FY2011 Continuing Resolution and then on to FY2012, it is absolutely essential that the *urgency* of deficit reduction not override *critical* investments in the education and skills development of U.S. workers, especially at this fragile point in our economic recovery with 13.5 million Americans still unemployed. We must make smart decisions as we move forward on both fronts.

While my testimony will focus on the goals, results and effectiveness of the nation’s workforce system, I am compelled to first explain in very direct terms for Members of the Subcommittee the devastating effects that the funding reductions in H.R. 1 (or similar cuts) would have on the U.S. workforce investment system. H.R. 1 would have eliminated all funding for the WIA Adult, Dislocated Worker, and Youth programs for states and local communities in

Program Year 2011, beginning July 1 of this year. And those who think that unexpended carryover funds would see the system through next year are misinformed, as well over half of these funds are already obligated or encumbered for training and other purposes. The bill would have zeroed out all funding for YouthBuild and ex-offenders, slashed support for the Job Corps and the Senior Community Service Employment Program, and crippled our federal capacity to respond to mass layoffs and the employment consequences of natural disasters. These programs help employers turn vacancies into jobs; prepare workers whose jobs have disappeared for new careers; and train America’s workforce for the demands of a 21st century global economy.

Imagine the landscape next year if workforce cuts of this magnitude were to be enacted. Who would provide employment assistance to the over 8 million jobseekers served by WIA last year; the over 4.3 million who secured jobs through the system in a severely depressed economy; or the hundreds of thousands of WIA participants who received training to prepare for new careers? We know that nearly 70 percent of adults who received training last year entered employment compared to 53 percent of those who did not; and 76 percent of dislocated workers who received training entered employment compared to 47 percent who did not. If we see cuts of this magnitude, nearly 3,000 One-Stop Career Centers that provide access to a broad range



of employment and training programs in local communities would be forced to dramatically curtail services and nearly all would close as the year progresses. States' ability to respond quickly to plant closings and mass layoffs would be sharply curtailed if not eliminated. The federal government would be unable to provide vital employment assistance to those impacted by catastrophic natural disasters like floods, hurricanes and oil spills without WIA's National Emergency Grants. Disadvantaged out-of-school youth in YouthBuild and Job Corps would have few places to turn to for help in acquiring the academic and vocational skills and credentials that employers demand. And thousands of low-income senior citizens who provide valuable community services, while earning a much-needed paycheck, would be without employment.

This is clearly not a prescription for shared economic growth and prosperity. Nor is it consistent with the admonition of our current Federal Reserve Chairman who said last month:

No economy can succeed without a high-quality workforce, particularly in an age of globalization and technical change. . . . In a dynamic economy in which job requirements are evolving more rapidly than ever, individuals already in the workforce need opportunities to improve their skills throughout their lives. . . . Although helping workers acquire up-to-date skills is always important, it is especially critical now, when long spells of unemployment are threatening the longer-term employability and productivity of many.

Numerous studies confirm that education and training enhance labor productivity and innovation by developing workers' analytical and job skills, and by advancing creativity.

So I urge members of the Committee to pursue deficit reduction judiciously. We cannot simply cut our way to prosperity. Avoid cuts to programs that contribute to our economic growth and to meaningful job opportunities for our citizenry and future generations. The Department of Labor's workforce development programs play a

relatively small yet vital role in this mission by expanding postsecondary education and training opportunities for low-income adults, dislocated workers, and disadvantaged youth, and by helping businesses hire, prosper, and grow.

Of course, it matters greatly that our federally funded workforce development programs are effective in boosting employment, earnings and credential attainment for those who are served. In the balance of my statement I will address: (1) evidence on the effectiveness of WIA's employment and training services; and (2) recommendations for system improvement. I respectfully request that the attached summary of study findings and discussion of carry over funds be submitted into the record along with my testimony, providing additional information for the subcommittee on program effectiveness and the impact of funding reductions.

## THE EFFECTIVENESS OF WIA'S EMPLOYMENT AND TRAINING SERVICES

It is no secret that WIA is in need of reauthorization to better align planning and service delivery, and strengthen the system's relevance for today's economy. It was, after all, originally authorized in August 1998 when unemployment stood at 4.5 percent. Not only do we face a much different economy now, but practice in the field also has progressed significantly, becoming much more sophisticated about employer engagement, community college partnerships, sector training strategies, career pathway initiatives, and regional cooperation in support of economic growth. These and other proven practices and system innovations are expected to be emphasized in proposals for reauthorization under development by both the House and Senate authorizing committees.

To say that WIA should be reauthorized is not the same as saying that WIA programs are not effective. On the contrary, the evidence is pretty clear that WIA's core and intensive services and training for disadvantaged adults have been shown time and again to pay off in terms



of higher employment rates and improved earnings. The evaluation evidence on training's effectiveness for dislocated workers is mixed, but strong results have been shown in studies examining community college training for dislocated workers, particularly if training is provided for one year or more in technical occupations, including healthcare. This increased focus on longer-term, high demand training is precisely how the workforce system used the additional funding received under the Recovery Act. WIA reauthorization will push these reforms further as well.

**ADULTS AND DISLOCATED WORKERS.** The Department of Labor has initiated a new evaluation of WIA with an experimental design, but results are years down the road. The evidence we have in hand from highly credible non-experimental econometric studies (e.g., IMPAQ, Hollenbeck), the Jacobson study on dislocated worker training, and the P/PV-Aspen Institute experimental study on sector-based training is useful in informing public policy decisions. The weight of the evidence is clear and convincing that *employment and training services under the WIA Adult Program generate significantly higher earnings and employment rates, and the impacts persist for several years.* These programs likely result in a minimum 10 to 15 percent boost in annual earnings for disadvantaged adults, and return \$1.50 for every dollar invested by society. Women's earnings are boosted by as much as 25 percent (\$2,400 annually) and men's earnings by 10 to 15 percent (\$1,700 annually) from the program's services. *Core and intensive counseling and job placement services are cost effective, raising employment rates by 6 to 10 percent quarterly; and training increases earnings by at least 10 percent, with training most closely connected to employers (such as on-the-job and sector-based training) creating returns of 15 to over 20 percent.*

While evaluation evidence on WIA's Dislocated Worker Program is more mixed, several studies by Hollenbeck have found strong positive and statistically significant employment and earnings effects from program participation for dislocated workers, ranging from \$310 per quarter increases in Indiana, \$598 to \$855 in Washington

State, to \$1,189 in a seven-state study. Hollenbeck's returns to training averaged 4 to 7 percent of earnings. In an important study by Jacobson, solid evidence was found that *one year of technical training at community college can yield handsome returns to participants, on the order of 15 to 20 percent or more.* WIA's core and intensive counseling, job search, and placement services for dislocated workers appear to be very cost effective, speeding reemployment, increasing earnings, and reducing UI payments, based on two experiments evaluated in Texas and New Jersey by Mathematica. In contrast, the 2008 IMPAQ analysis suggests that dislocated workers achieved very modest though significant earnings gains of about \$350 per quarter for women and \$310 for men after three to four years, but that possible selection bias pulled these estimates down. Most of these studies, however, look only at employment and earnings as their measures of net impact. They do not consider benefits to employers such as increased productivity and profitability, nor benefits to workers such as fringe benefits and improved mental health from peer support, personal and financial counseling, and the encouragement instilled by program participation.

**YOUTH PROGRAMS.** The most recent random assignment evaluation of WIA youth programs has been of Job Corps, the nation's premier residential training program for disadvantaged youth. The authors found the Job Corps program improves outcomes for participants, increasing educational and vocational credential attainment, reducing criminal activity (arrests, convictions and incarcerations), increasing earnings for several program years, and boosting the receipt of health benefits. But based on the most recent follow up analysis using tax data, the earnings increases for Corps members were only sustained beyond four years for participants 20-24 years of age. Nonetheless, *the 12 percent statistically significant earnings gain experienced by participants four years after enrollment "makes Job Corps the only large-scale education and training program that has been shown to increase earnings of disadvantaged youth."*

Numerous smaller youth programs have been studied with positive results. A 2009 MDRC random-assignment



evaluation of the National Guard Youth Challenge residential program, operating in 27 states, offers considerable promise for high school dropouts ages 16-18 of any income level. Preliminary findings suggest increased rates of high school credential attainment, increased college enrollment and employment. A 2008 DOL-sponsored evaluation of WIA's Youth Opportunity Grant program found positive results, noting increased educational attainment, Pell Grant receipt, labor market participation, employment rates, and earnings for more than 90,000 program participants in 36 high-poverty neighborhoods. A non-experimental cost-benefit analysis of YouthBuild's program aimed at youthful offenders found that graduates of the Offender Project displayed significant positive outcomes in educational attainment and reduced recidivism compared to participants who do not complete the program. And Hollenbeck found statistically significant employment rate impacts in three states among WIA youth, and a statistically significant impact in earnings for WIA youth in Washington. Finally, I would note that the WIA system responded impressively to the rapid implementation of its Summer Youth Employment programs in 2009, starting virtually from scratch providing over 355,000 disadvantaged young people with valuable summer work experiences in public, nonprofit, and private-sector workplaces, and recruiting thousands of employers to participate in the program.

Are there negative findings in some of these and other studies on the effectiveness of certain youth programs? Yes, but it is important that we consider the cost of doing nothing. Over 1 million youngsters drop out of high school each year and the costs to society by some estimates exceed \$260 billion in lost wages, foregone taxes, and reduced productivity over their lifetime, not to mention the negative societal costs. Federally funded workforce and education programs are important in helping to provide disadvantaged and out-of-school youth with jobs, hands-on exposure to the workplace, and opportunities to get back on track and earn secondary and postsecondary credentials. We simply must do a far better job, on a much larger scale than we have in the past, especially for

disadvantaged out-of-school youth—for they should be the special focus of the Department of Labor.

After an extensive examination of the literature and their own research, King and Heinrich (authors of two contrasting studies previously referenced) jointly conclude that the weight of the evidence suggests, "*Workforce development does work. Workforce investments produce widespread benefits for employers and society as a whole.*" They go on to state that the returns on investment are "*particularly remarkable given [the] magnitude and intensity of workforce investments relative to size and complexity of barriers they address.*" I agree completely with this summary of the evidence.

## RECOMMENDATIONS AND CONCLUSION

When the Workforce Investment Act (WIA) was enacted in 1998, Congress was responding in part to an earlier GAO report that identified 163 federal programs across 15 different agencies that provided employment and training services. WIA consolidated over 50 of these programs into what is now the nation's primary workforce delivery system. WIA further streamlined service delivery by integrating access to a minimum of 13 federally funded employment and training programs at the "street level" through its One-Stop Career Centers. Further consolidation was considered at that time, but differing committee jurisdictions thwarted those attempts. Today, the GAO has identified 47 different federal programs, totaling \$18 billion, that provide some form of employment and training services. In reality, 76 percent of all funding and 91 percent of all participants identified by the GAO are served through programs authorized under WIA. That there are multiple programs is not in dispute. It is not the case, however, that there is widespread duplication in the actual provision of services to individuals. Many of these programs were created to address the very special needs of targeted populations such as the disabled, Native Americans, migrant and seasonal farm workers, and veterans. Others were established as components of larger block grants with



broader purposes such as the employment and training services of TANF. While improved system alignment, more co-location at One Stop Centers, and some consolidation (where appropriate) would likely improve quality and efficiency, significant savings should not be expected. Most of these programs, including those under WIA, have received funding reductions in real dollar terms over many years and are significantly underfunded relative to mission and need. *Congress should use the GAO findings as a guide to achieve system alignment and administrative savings, but not as a rationale for further cuts in program services.*

In recent years, WIA has experienced a 234 percent increase in demand for services, and the system has risen to the challenge with the employment of millions of individuals annually. The system operates on the front lines as a key partner in the nation's response to plant closings, mass layoffs, and business realignments; and in the skilling of America's workers in support of job creation and economic recovery efforts. It provides vital labor market information, skills assessments, career guidance, counseling, employment assistance, support, and training services to jobseekers and workers who need help in getting a good job. Programs established under WIA have been driven by very straightforward performance measures for nearly 30 years—measuring how many people get jobs, retain jobs, what they earn, and how many attain industry-recognized credentials. Importantly, DOL is improving WIA's performance system by introducing regression adjustment of performance targets at the national, state, and local levels. Performance management enables the system to continuously assess whether short-term outcomes are consistent with long-term employment and earnings impacts and goals.

The workforce system also provides vital services to employers, especially small and medium-sized businesses, brokering training and helping employers find the skilled workers they need to be competitive. Local workforce boards perform the essential function of convening system stakeholders and service providers—leveraging federal, state, local, and private resources and partnering with businesses, labor, economic development, education,

and community-based and philanthropic organizations to identify and meet the employment and skill needs of their regions. Often overlooked, these partnerships and their resources that expand the reach of the public system, such as the regional funding partnerships spawned by the National Fund for Workforce Solutions which leverage millions in additional funding for workforce services, would be at great risk if budgets for WIA were eliminated or severely cut.

To further enhance the effectiveness of WIA services, especially for dislocated workers, the following strategies would improve participant outcomes and address many of the concerns raised by the evaluations discussed above.

*First, sector-based and on-the-job training should become common practice nationwide.* As the Jacobson and P/PV-Aspen results show, the right training that is market-sensitive and dual-customer-oriented results in higher earnings and net benefits to workers and society.

*Second, reduce the substantial foregone earnings dislocated workers experience while in training by accelerating their time to credential attainment, program completion, and reemployment* through such approaches as: revised course sequencing; full day/full week course scheduling; contextualized and integrated instruction for basic and vocational skills; and credit for prior learning. In other words, restructure postsecondary training programs to better serve the time-sensitive needs of adults.

*Third, expand the use of effective technologies, tools, and career navigation strategies that assess the skills of dislocated workers and match them with the skill sets needed for regional job openings or to determine training for those jobs,* improving job-placement efficiency and better informing who should receive training. With higher post-completion earnings, lower foregone earnings while in training, and better matches for training and employment, net benefits to workers and society would increase.

These seem to be approaches that the House and Senate authorizing committees are considering as they prepare to reauthorize WIA this Congress. It is also the approach that DOL is taking through guidance and in three new



initiatives: (1) a recent award of \$75 million to 41 states for on-the-job training to help dislocated workers learn while they earn; (2) competitive grants under the Trade Adjustment Assistance Community College Career Training program to fund institutional innovations at community and career colleges; and (3) the Re-envisioning Reemployment Services for UI Claimants initiative.

U.S. competitiveness and shared prosperity are dependent on our ability to ensure that all Americans, including low-wage and structurally unemployed workers, have genuine opportunities to gain new high-value skills and good jobs through sector strategies, career pathways, and other innovations that support regional growth. Make no mistake, the best workforce systems in this country are already engaged in many of these approaches; and

the best business-led workforce boards are leading or partnering in efforts to develop regional knowledge-based, innovation economies. The WIA system performed admirably in response to the nation's economic crisis. Is the system perfect? No, but *we expect that House and Senate authorizers and the Administration are committed to enacting changes that will update WIA and make the improvements needed to further ensure success for the system's dual customers: America's workers and employers.* I strongly urge that you consider this and the importance of the nation's employment and training programs to workers, employers, and our economy when making further decisions on the U.S. budget and appropriations. Thank you for the opportunity to share my testimony with you.

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## ADDITIONAL MATERIALS SUBMITTED

### CAN CARRYOVER FUND THE WORKFORCE INVESTMENT SYSTEM IN PROGRAM YEAR 2011?

Documents disseminated by the House Appropriations Committee seem to imply that the workforce system can be sustained through next year with current year funding and carryover. In their summary of H.R. 1, the committee states, "These programs have significant carryover balances from prior year appropriations and have already received \$1.5 billion in advance funding available for the current fiscal year." This assumption is *not* accurate.

The \$1.5 billion referred to by the committee is funding that was appropriated in the FY 2010 appropriations bill (out of FY 2011 advance funds) for use in the current program year

ending June 2011. These funds were made available for use from October 2010 through June 2011. H.R. 1 eliminates all funding in FY 2011 for the WIA Adult, Dislocated Worker and Youth programs, and eliminates the entire advance in FY 2012 for use by the WIA Adult and Dislocated Worker programs from October 2011 through June 2012. This means that as of July 1, 2011 there would be no new WIA grants to states and local workforce areas under H.R. 1.

The assertion that carryover of \$1.1 billion in unspent funds from PY 2010 into PY 2011 will support the WIA system through next year also is simply not true because these numbers don't account for obligations and encumbered funds for multi-semester training.

The WIA system has always been required by statute to obligate at least 80 percent of its funding each year. The system has been allowed to carry over not more than 20 percent of its unobligated funds for 2 additional years. In recent years however, appropriators have looked at the system's "unexpended" instead of its "unobligated" funds when determining system carryover, an examination that



does not take into account funds that are encumbered or set aside to pay for multi-semester training (for participants who are already enrolled) and other commitments that cross program years.<sup>1</sup>

Last year, WIA Adult and Dislocated Worker programs carried over \$1.1 billion in unexpended funds from PY 2009 to PY 2010. This represented a 28 percent carryover of the total available for these programs in PY 2009, with local areas carrying over 21 percent of funds available to them in PY 2009—or about \$600 million out of \$2.8 billion. Much of this “carryover,” however, is not really available. It is either obligated into contracts or encumbered, that is “set aside” to support individual training plans for multi-semester programs of study. Approximately 50 percent of the \$1.1 billion unexpended is reported as unliquidated obligations for orders placed, contracts and grants awarded, services received, and similar transactions that require payment. However, much of the remaining \$550 million in unspent funds is encumbered or set aside to support individual training plans, but encumbrances are not reflected in reports to the Department of Labor.

We can learn a great deal from the prior rescission enacted by Congress. In FY 2008, when the WIA system lost \$250 million through a rescission of “unexpended funds,” \$114 million or 45 percent of the rescission had to be taken from PY 2007 current year funds. The rescission was based on the notion that unexpended balances of about \$1.1 billion carried into PY 2007 would cover the rescission. This assumption was wrong. If history serves as a guide, the anticipated carryover at the end of PY 2010 would also fall far short of amounts needed to carry the program through PY 2011. Moreover, those states and local areas that have had high demand for services and that have provided services aggressively would likely have very little, if any, unencumbered funds to provide services to new enrollees next year.

## EFFECTIVENESS OF THE WORKFORCE INVESTMENT ACT'S EMPLOYMENT AND TRAINING SERVICES

It is no secret that WIA is in need of reauthorization to better align planning and service delivery and strengthen the system's relevance for today's economy. It was, after all, originally authorized in August 1998 when unemployment stood at 4.5 percent. Not only do we face a much different economy now, but practice in the field also has progressed significantly, becoming much more sophisticated about employer engagement, community college partnerships, sector training strategies, career pathway initiatives, and regional cooperation in support of economic growth. These and other best practices and system innovations are emphasized in proposals for reauthorization under development by both the House and Senate authorizing committees.

To say that WIA should be reauthorized is not the same as saying that WIA programs are not effective. On the contrary, the evidence is pretty clear that WIA's core and intensive services and training for disadvantaged adults have been shown time and again to pay off in terms of higher employment rates and improved earnings. The evaluation evidence on training's effectiveness for dislocated workers is mixed, but strong results have been shown in studies examining community college training for dislocated workers, particularly if training is provided for one year or more in technical occupations, including health care. This increased focus on longer-term, high-demand training in community colleges is precisely how the workforce system used the additional funding received under the Recovery Act. WIA reauthorization will push these reforms further.

**ADULT AND DISLOCATED WORKERS.** According to a Council of Economic Advisors (CEA) 2009 summary of the evidence on WIA's effectiveness, WIA participants benefit from the program, on average, although differences across states are substantial. The CEA reports that there is also



mounting evidence from state evaluations that training for adults can have large positive impacts on earnings, particularly in studies that track participants for a longer period of time. Here is a closer look at some of the evidence.<sup>2</sup>

A recent study referenced in the CEA report, a 2008 non-experimental econometric study by IMPAQ International,<sup>3</sup> found that outcomes in 12 states for participants in WIA's Adult Programs were quite positive with statistically significant impacts on both earnings and employment for its participants.

- Overall, the WIA Adult program was found to have a “substantial positive statistically significant effect” that was widespread across almost all the states studied. For both genders, participants earn between \$400 and \$700 more per quarter than comparable individuals in the comparison group. The return for women averaged about \$550 per quarter over the 16 quarters studied (\$2,400 annually), while the impact for men averaged about \$400 per quarter (\$1,700 annually).
- WIA Adult participants who received core and/or intensive services experienced increased earnings of \$100 to \$200 per quarter over the four years following program entry compared to non-participants—substantial outcomes compared to the low costs of these counseling and job placement services. Core and intensive services are also shown to be effective in raising employment rates by 6 to 10 percentage points quarterly.
- Adults who received training saw lower initial earnings compared to non-participants, but earnings caught up within 10 quarters, with large gains of \$400 to \$700 per quarter higher in later quarters that held up over the 16 quarters studied. As with most such studies, gains were greater for women than men.

- Overall, WIA services for Dislocated Worker participants achieved very modest though significant earnings gains of about \$350 per quarter for women and \$310 for men after three to four years, but possible selection bias pulled these estimates toward zero. Employment rates for both genders were about 5 percentage points higher than the comparison group during the last two years of follow up.
- WIA training for dislocated workers was not found to have a statistically significant impact on the employment and earnings of either women or men.

Kevin Hollenbeck of the Upjohn Institute and Christopher King of the University of Texas conducted a similar non-experimental econometric study in 2005<sup>4</sup> using the same database for seven of the states in the IMPAQ analysis. Upjohn found similarly positive and statistically significant results for WIA Adult Program participants, as did the IMPAQ study, though the Upjohn impacts are larger in magnitude. Importantly for our discussion, the Upjohn results are also positive and statistically significant for the Dislocated Worker program overall and for those receiving training, both women and men. Furthermore, these employment and training services were shown to reduce reliance on public assistance. Specifically, Upjohn found the following statistically significant results:

- The overall impact of services for WIA Adult Program participants was \$743 per quarter, \$786 for women and \$685 for men. Months on TANF also were reduced by 2.6 percentage points.
- The impact of job training services for WIA Adult Program participants was \$669 per quarter, \$775 for women and \$552 for men.
- The overall impact of services for WIA Dislocated Worker participants was \$951 per quarter, \$1,008 for women and \$895 for men. Months on TANF also were reduced by 1.9 percentage points.



- The impact of job training services for WIA Dislocated Worker participants was \$386 per quarter, \$422 for women and \$357 for men.
- The authors conclude that WIA services, including training, are effective interventions for adults and dislocated workers, raising employment rates and earnings and reducing reliance on TANF. On average, WIA services increase employment rates by about 10 percentage points and average quarterly earnings by \$800 (in 2000 dollars).

Another important non-experimental econometric study, conducted by Louis Jacobson, Robert LaLonde, and Daniel Sullivan, examined dislocated workers attending community college retraining programs in Washington State.<sup>5</sup> The authors note that most displaced workers who receive subsidized retraining participate in programs authorized under WIA, and frequently enroll in community college courses. The authors found that:

- The equivalent of an academic year of community college schooling raises the long-term earnings of displaced workers by an average of about 9 percent for men and about 13 percent for women—a quite reasonable return on investment according to the authors. In dollar terms, the study found that a year of community college training increased workers' earnings by about \$800 per year.
- The study also found that earnings increased by \$1,600 per year on average, or an increase of 14 percent for men and 29 percent for women, if the year of study was focused on more technically oriented vocational and math and science courses including healthcare. About one-third of the increase in earnings associated with more technically oriented courses was estimated to be due to increases in wage rates, with the remainder attributable to increased hours of work.

The Jacobson study is particularly important because technically oriented vocational and math and science programs of study are precisely what WIA's dislocated worker training programs are investing in. Of the ten

most common occupations for those dislocated workers completing training in 2009, eight were in health care and information technology—ranging from registered nurses, licensed practical nurses, nursing aides, and medical assistants to health information technicians, bookkeepers and auditing clerks, and computer support specialists. These training choices reflect an ever-increasing sophisticated knowledge of industry needs on the part of the WIA system. And the Recovery Act, DOL policy, and WIA reauthorization when enacted move WIA still further toward yearlong community college training, as appropriate, to attain industry-recognized credentials.

As Workforce Investment Boards, community colleges, and other workforce intermediaries embrace industry sector training strategies to better meet the skill needs of employers in their regions, they are doing so with strong evidence of the effectiveness of this training strategy for low-income adults. Sector-based training programs work. They are effective for low-skilled workers and their employers. With the support of the Mott Foundation, Public/Private Ventures (P/PV) set out to answer the question: "Can well-implemented, sector-focused training programs make a difference in the earnings of low-income disadvantaged workers and job seekers?" P/PV examined three sector-based training programs: medical billing and accounting training offered by Jewish Vocational Services in Boston, Massachusetts (a WIA service provider); information technology training, provided by the social enterprise Per Scholas in the Bronx, New York; and training in the construction, manufacturing and health care sectors through the Wisconsin Regional Training Partnership in Milwaukee, Wisconsin—an association of employers and unions (WRTP is funded in part by WIA). The study recruited eligible participants from all three organizations and randomly assigned each person to participate in either the sector-based program or a control group. Trainees were followed up between 24 and 30 months after their enrollment to assess the effects of program participation. Key findings for the study include:<sup>6</sup>



- Sector-based program participants earned significantly more than individuals in the control group over a two-year period, with program participants earning over 18 percent more (about \$4,500) than those in the control group and 29 percent more (about \$4,000) in the second year.
- Sector-based program participants were significantly more likely to be employed when compared to the control group, and more likely to be steadily employed, with 52 percent of program participants working for the entire second year compared to 41 percent of the control group.
- Sector-based program participants were significantly more likely to be employed in a job that paid higher wages (above \$13 per hour), and that offered benefits like health insurance, paid vacation, and tuition reimbursement.
- In the Wisconsin Regional Training Partnership site, participants were significantly more likely to earn industry recognized credentials in construction and health care than were individuals in the control group, and employers responded by paying significantly higher wages.
- Fifty-five percent of the Per Scholas computer technician trainees received the A+ industry certification compared with 9 percent of their control group counterparts, and employers responded with higher wages and benefits.

This study demonstrates that sector-focused training programs delivered by organizations with a good understanding of and connection to industry needs can be very effective in raising employment and earnings for low-skilled, low-income adults. Moreover, sector-based training strategies have quickly become the norm among workforce investment boards and a wide range of other workforce intermediaries including the private-sector-led National Fund for Workforce Solutions, discussed below.

While WIA services have not been evaluated using experimental methods, its predecessor—the Job Training Partnership Act—was, and it can serve as an important benchmark for the non-experimental econometric analyses

reviewed above.<sup>7</sup> The major findings for adults from the National JTPA Study include:

- JTPA caused a statistically significant increase in the earnings and employment of both disadvantaged women and men who enrolled in the program. Total earnings among women enrollees were increased by an average of \$2,738 (converted to 2005 dollars) over the 10 quarters following random assignment. For disadvantaged men, JTPA generated a somewhat smaller increase in earnings—\$2,383, on average. As a percentage of average control group earnings, the earnings increase for women of 15 percent was substantially larger than the 8 percent increase for men, but both net impact estimates are statistically significant. After accounting for program costs, the net benefits per enrollee were nearly identical for women (\$763 per enrollee) and men (\$781 per enrollee). Estimated impacts on post-assignment employment rates were 3.5 percentage points for women over the six quarters after random assignment and 4.8 percent for men.<sup>8</sup>
- A follow up analysis by the GAO found that earnings impacts persisted beyond the first 10 post-assignment quarters in the original study. Over the first five to six years post-assignment, JTPA increased earnings by an average of \$4,021 per woman assigned to the treatment group and \$3,996 per man. Because only about two-thirds of assignees actually enrolled in JTPA, the long-run effects per enrollee were over \$5,000, on average, for both women and men.<sup>9</sup>
- For all adults, the estimated impact of classroom training on earnings per enrollee was 11 percent in months 7-18 following assignment and 10 percent in months 19-30. Both estimates are statistically significant.<sup>10</sup> Positive results for women and men separately were not statistically significant, but the impact of on-the-job training was large and statistically significant.<sup>11</sup> For adult women who were high school dropouts, however, JTPA boosted their attainment of a high school credential by a statistically significant 19 percentage points per enrollee.<sup>12</sup>



- The authors of the JTPA study conclude that, “Overall, we found that JTPA worked reasonably well for adults. . . . For every \$1.00 invested by society in JTPA training for adults, the program returned approximately \$1.50 in earnings gains to enrollees.”<sup>13</sup>

The Department of Labor has initiated a new evaluation of WIA with an experimental design, but results are years down the road, if ever, given the proposed cuts to the program and to the evaluation budget. But the evidence we have in hand from highly credible non-experimental econometric studies, the P/PV experiment, and the JTPA study can usefully inform public policy decisions.

- The weight of the evidence is clear that *the WIA Adult Program of employment and training services generates higher earnings and employment rates for women and men, and the impacts persist for several years*. The overall set of WIA services likely results in a minimum 10 percent to 15 percent boost in annual earnings for disadvantaged adults, and the program returns \$1.50 for every dollar invested by society. Women’s earnings are boosted by as much as 25 percent (\$2,400 annually) and men’s earnings by 10 to 15 percent (\$1,700 annually) from the program’s services.
- Core and intensive counseling and job placement services are cost effective, raising employment rates by 5 to 10 percentage points over 12-24 months.<sup>14</sup> *Job training works for adults*, increasing earnings by at least 10 percent, with training approaches most closely connected to employers—such as on-the-job training and sector based training—generating returns of 15-20 percent.
- The available evaluation evidence on WIA’s Dislocated Worker Program presents more of a mixed picture than for adults. *On balance, the most rigorous studies offer modest evidence that WIA provides effective services for dislocated workers*. On the one hand, the IMPAQ analysis suggests that program participants achieve very modest though significant earnings gains of about \$350 per quarter for women and \$310 for men after three to four years. However,

after correcting for possible selection bias, these estimates approach zero. In contrast, Hollenbeck finds strong positive and statistically significant employment and earnings effects from program participation in several studies ranging from \$310 per quarter in Indiana, \$598-\$855 in Washington State, to \$1,189 in the seven state study reviewed earlier.<sup>15</sup>

- *Training for dislocated workers in WIA, on average, has not been shown to be as effective as the overall program, nor as effective as for adults*. Hollenbeck’s returns average 4-7 percent.<sup>16</sup> But it does appear that certain types of training matter more. The Jacobson study is evidence that one year of technical training at a community college can yield handsome returns to participants, on the order of 15-20 percent or more.
- *WIA’s core and intensive counseling, job search, and placement services are very likely to be cost effective, speeding reemployment and increasing earnings*, based on two experiments evaluated in Texas and New Jersey. Because of the findings from these demonstrations, Congress mandated that state UI agencies “profile” claimants who are likely to exhaust benefits and to direct them to receive intensive reemployment services, largely through WIA.<sup>17</sup>

**YOUTH PROGRAMS.** The most recent random-assignment evaluation of WIA youth programs has been of Job Corps, the nation’s premier residential training program for disadvantaged youth.<sup>18</sup> The authors found the Job Corps program improves outcomes for disadvantaged youth. Job Corps increases educational attainment of the GED and vocational credentials, reduces criminal activity (arrests, convictions and incarcerations), increases earnings for several program years, and boosts the receipt of health benefits. However, based on the most recent follow up analysis using tax data, the earnings increases for Corps members were only sustained for the older participants, 20-24 years of age. Nonetheless, the 12 percent statistically significant earnings gain experienced by participants four years after enrollment “makes Job Corps the only large-



scale education and training program that has been shown to increase earnings of disadvantaged youth.”<sup>19</sup>

Other recent evaluations of smaller youth programs include:

- A 2009 report on the National Guard Youth ChalleNGe program that operates in 27 states offers considerable promise for this model. The program targets high school dropouts ages 16-18 with no income eligibility screen. The 17-month program includes an intensive 20-week residential experience, often on a military base. Preliminary findings from the random assignment experiment suggest increased rates of high school credential attainment, increased college enrollment and employment, and improved health and self-efficacy. MDRC is carrying out the study.<sup>20</sup>
- A 2008 Department of Labor-sponsored evaluation of WIA's Youth Opportunity Grant program found positive results, noting increased educational attainment, Pell Grant receipt, labor market participation, and employment rates and earnings for more than 90,000 program participants in 36 high-poverty neighborhoods.<sup>21</sup>
- A cost-benefit analysis of YouthBuild's targeted intervention program aimed at youthful offenders found (1) graduates of the Offender Project display significant positive outcomes in terms of educational attainment and reduced recidivism compared to participants who do not complete the program; and (2) a positive benefit-to-cost ratio, showing that every dollar spent on every court-involved youth is estimated to produce a minimum return of \$10.80.<sup>22</sup> These positive results are only suggestive, however, because participants were not randomly assigned to treatment and control groups. The Department of Labor initiated a national random assignment evaluation of YouthBuild grantees in 2010 with an independent contractor team led by MDRC.
- Hollenbeck found no short-term earnings gains among WIA youth in three states despite statistically significant employment rate impacts. The longer-term earnings impacts

were similar, though Washington State did evidence a statistically significant impact of \$325 per quarter for WIA youth during the third and fourth years after program exit.<sup>23</sup>

- And I would note the impressive way the WIA system responded to the huge challenge posed by the Recovery Act's \$1.2 billion appropriation to provide urgently needed employment opportunities for disadvantaged youth 14-24 years old. Starting virtually from scratch in most communities around the country, and with short notice, WIA ramped up recruitment of over 355,000 young people and recruited thousands of employers to provide nearly 90 percent of the youth with valuable summer work experiences in public, nonprofit, and private-sector workplaces. Many communities blended work with academic offerings such as recovery of school credits, GED preparation for dropouts, and remediation. Nearly half the sites reported that more employers responded to the initiative than were needed.<sup>24</sup>
- Finally, we must acknowledge the youth results from the National JTPA Study. These findings from a random assignment evaluation were particularly discouraging. JTPA did not significantly increase youths' earnings, or reduce their welfare benefits, over the 30-month follow-up period. However, many of the concerns raised in the study were subsequently addressed in WIA's youth program requirements.

How can we sum up these findings for disadvantaged youth? First, we should consider the cost of doing nothing. Over 1 million youngsters drop out of high school each year and the costs to society by some estimates exceed \$260 billion in lost wages, foregone taxes, and reduced productivity over their lifetime. Federally funded workforce and education programs can be critical to helping to provide disadvantaged and out-of-school youth with jobs, hands-on exposure to the workplace, and opportunities to get back on track and earn secondary and postsecondary credentials. But in order to make an appreciable difference, *we simply must do a far better job, on a much larger scale than we have in the past, especially among out of school*



*youth—who should be the special focus of the Department of Labor.*

This is not to say that there are not wonderfully effective programs in the public and nonprofit sectors that transform lives in individual communities. Jobs for America's Graduates (with considerable WIA state funding) and Big Brothers Big Sisters are two that come to mind among nonprofits; and the Center for Employment Training in San Jose has demonstrated twice with random-assignment evaluations the capability, with federal funding, of substantially increasing earnings for single teen mothers and dropout youth. But *beyond Job Corps, National Guard Youth ChalleNGe, and YouthBuild (hopefully), there is not a lot of evaluation evidence of broadly effective federally funded workforce development programs for disadvantaged youth.*

In a delayed response to the youth findings from the National JTPA Study, this committee in 1995 and the Congress slashed JTPA's budget for youth programs by 80 percent, including required funding for Summer Jobs. "By the time the results [from the National JTPA Study] were released, however, the JTPA's youth programs had been revamped, with, among other things, the creation of a separate youth program and targeted services to those with multiple employment barriers."<sup>25</sup> Congress enacted the Workforce Investment Act in 1998, incorporating all that had been learned from JTPA and the latest findings from youth development efforts in other sectors. These youth reforms are substantial and their implementation has yet to be evaluated, except for Hollenbeck's three state studies. Fortunately, the DOL recently launched a WIA evaluation that will use an experimental design, but results are years down the road. In the meantime, WIA reauthorization provides an excellent vehicle to critically examine and incorporate what we know about effective program services for disadvantaged youth.

What are we to conclude from this brief review? After an extensive examination of the literature and their own analysis, King and Heinrich (authors of two opposing studies previously referenced) jointly conclude that the

weight of the evidence suggests, "*Workforce development does work. Workforce investments produce widespread benefits for employers and society as a whole.*" They go on to write that the returns on investment are "*particularly remarkable given [the] magnitude and intensity of workforce investments relative to size and complexity of barriers they address.*"<sup>26</sup> I agree completely with this summary of the evidence.



## ENDNOTES

<sup>1</sup> In a 2009 report the GAO wrote, "Labor's process for determining states' available funds considers only expenditures and does not consider the role of obligations in the current program structure. . . . As a result, Labor's estimate of expenditure rates suggests that states are not spending their funds as quickly as they actually are. Labor's Office of the Inspector General has also noted that obligations provide a more useful measure for assessing states' WIA funding status if obligations accurately reflect legally committed funds and are consistently reported."

<sup>2</sup> Executive Office of the President, Council of Economic Advisors, *Preparing the Workers of Today for the Jobs of Tomorrow*, July 2009.

<sup>3</sup> Carolyn J. Heinrich, Peter R. Mueser, and Kenneth R. Troske, *Workforce Investment Act Non-Experimental Net Impact Evaluation: Final Report*. December 2008. IMPAQ International.

<sup>4</sup> Kevin Hollenbeck, Daniel Schroeder, Christopher King, and Wei-Jang Huang, *Net Impact Estimates for Services Provided through the Workforce Investment Act*, October 2005. Employment and Training Administration Occasional Paper 2005-06.

<sup>5</sup> Louis Jacobson, Robert LaLonde, Daniel G. Sullivan, *Estimating the Returns to Community College Schooling for Displaced Workers*, February 2004, IZA Discussion Paper No. 1017.

<sup>6</sup> Sheila Maguire, Joshua Freely, Carol Clymer, Maureen Conway, and Deena Schwartz, *Tuning In To Local Labor Markets: Findings From the Sectoral Employment Impact Study*, Public/Private Ventures, 2010.

<sup>7</sup> Larry L. Orr, Howard S. Bloom, Stephen H. Bell, Fred Doolittle, Winston Lin, and George Cave, *Does Training for the Disadvantaged Work?*, 1996, The Urban Institute Press.

<sup>8</sup> Paul T. Decker, *Ten Years of the Workforce Investment Act: Interpreting the Research on WIA and Related Programs*, February 2010, Mathematica Policy Research, p. 7.

<sup>9</sup> *Ibid*, p. 8.

<sup>10</sup> Orr, et al., op. cit., p. 183.

<sup>11</sup> Orr, et al., op. cit., p. 153.

<sup>12</sup> Orr, et al., op. cit., p. 111.

<sup>13</sup> Orr, et al., op. cit., p. 215.

<sup>14</sup> Kevin Hollenbeck, *Workforce Investment Act Net Impact Estimates and Rates of Return*, 2009, W.E. Upjohn Institute, p. 7.

<sup>15</sup> Kevin Hollenbeck, *Does the Workforce Investment Act Work?* November 2009, W.E. Upjohn Institute.

<sup>16</sup> *Ibid*, p. 5.

<sup>17</sup> Decker, op. cit., p. 15.

<sup>18</sup> Peter Z. Schochet, John Burghardt, and Sheena McConnell, "Does Job Corps Work? Impact Findings from the National Job Corps Study." *American Economic Review*, 2008, 98:5, pp 1864-1886.

<sup>19</sup> *Ibid*, p. 1883.

<sup>20</sup> D. Bloom and A. Gardenhire-Crooks, et al., *Reengaging High School Dropouts: Early Results of the National Guard Youth Challenge Program Evaluation*, 2009, MDRC.

<sup>21</sup> Russell H. Jackson, R. Malene Dixon, et al., *Youth Opportunity Grant Initiative: Impact and Synthesis Report*, December 2007, Decision Information Resources, Inc.

<sup>22</sup> Mark A. Cohen and Alex R. Piquero, *Costs and Benefits of a Targeted Intervention Program for Youthful Offenders: The YouthBuild USA Offender Project*, March 2008, YouthBuild USA.

<sup>23</sup> Kevin Hollenbeck, "Short-Term Net Impact Estimates and Rates of Return," in *The Workforce Investment Act: Implementation Experiences and Evaluation Findings*, edited by Douglas J. Besharov and Phoebe H. Cottingham, W.E. Upjohn Institute, forthcoming.

<sup>24</sup> Jeanne Bellotti, Linda Rosenberg, Samina Satar, Andrea Mraz Esposito, and Jessica Ziegler, *Reinvesting in America's Youth: Lessons from the 2009 Recovery Act Summer Youth Employment Initiative*, February 26, 2010, Mathematica Policy Research.

<sup>25</sup> Douglas J. Besharov, "Presidential Address: From the Great Society to Continuous Improvement Government: Shifting from 'Does It Work?' to 'What Would Make It Better?'" Presidential Address, 2009, *Journal of Policy Analysis and Management*, Vol. 28, No. 2, pp. 199-220.

<sup>26</sup> Christopher T. King and Carolyn J. Heinrich, *How Effective are Workforce Development Programs? Implications for U.S. Workforce Policies in 2010 and Beyond*, October 2010, University of Texas.