

Evaluating Workforce Investments: Short- and Long-Term Training Results and Larger Measurement Questions

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*The Contemporary Issues in Work, Employability
and People Management Seminar*
University of Birmingham
Birmingham, England
March 15, 2011



Outline

- Background
- Data & Methodology
- Evaluation Findings & Implications for:
 - Rapid Employment Model (REM)
 - Capital IDEA
- Larger Issues with Evaluating Workforce Impacts Generally
- Concluding Observations

Background

Key issue for labor market policy is the *extent to which ever scarcer public funds should be invested in low-cost, low-intensity labor force attachment (LFA) v. high-cost, high-intensity human capital development (HCD)*.

Also, growing concern that the conventional wisdom about the ineffectiveness of training is incorrect and is a function of inadequate measurement, faulty attribution, and untimely follow-up, among other factors.

This presentation draws upon work with Ray Marshall Center colleagues Tara Smith and Daniel Schroeder, and University of Wisconsin (soon-to-be-LBJ) colleague Carolyn Heinrich.

Background ...

On the relative value of short- v. long-term workforce investments:

- Travis County and Austin (TX) have invested local tax dollars in workforce services — over and above the usual federal and state funds — since the mid-1990s
 - Investments in a number of providers include short- and long-term training, support services, adult ed, soft skills training and job search assistance
- Evaluation of locally-funded workforce services now entering its fifth year; local support for evaluation rare

Focus here on 2 programs: REM and Capital IDEA

Rapid Employment Model (REM)

- Started (2006) as partnership between Travis County, the local workforce board & training providers
- Links short-term (<6 weeks) occupational training, with soft skills training and structured job search assistance
- Training options: Truck driving, construction, administrative assistant, nurse aide
- Target population: disadvantaged residents, especially recently released offenders, Food Stamp/TANF (welfare) recipients
- Goal: reduce the time individuals are out of work

Capital IDEA

- Nonprofit, sectorally focused, workforce intermediary launched in 1999 through efforts of Austin Interfaith, City of Austin and Travis County
- Provides long-term training for high-wage, high-demand occupations (75% nursing & allied health) in growth sectors with pro-active support services
- Intensive screening to identify individuals with appropriate skills, personal/financial resources, and motivation to succeed
- Goal: lift families out of poverty through intensive career education

Data and Methodology

UI wage* and claimant records are used to measure four key outcomes: employment, earnings, UI monetary eligibility, and UI claims filed

Quasi-experimental impact analysis gauges the “value-added” of workforce services by comparing labor market outcomes for REM and Capital IDEA participants with those of a comparison group of similar non-participants who registered for WorkInTexas.com or received WIA core services

- Impacts measure *marginal* impacts of REM and Capital IDEA participation over and above those from receiving job referrals or JSA

* Known UI coverage issues in truck driving and construction (REM).

Employment Outcomes

Cohort	Total Participants	4 Qtrs Before Service	Last Qtr of Service	2 nd Qtr After Service	6 th Qtr After Service	10 th Qtr After Service	All Qtrs After Service
C-IDEA All	321	68.5%	78.8%	78.5%	76.0%	75.6%	77.9%
C-IDEA Non-completers	212	66.2%	71.2%	71.7%	69.8%	68.6%	71.2%
C-IDEA Completers	109	72.9%	93.6%	91.7%	88.1%	88.9%	90.3%
REM 2006	103	16.3%	51.5%	59.2%	47.6%	44.0%	51.9%
REM 2007	85	22.1%	30.6%	55.3%	47.1%	.	50.4%
REM 2008	81	29.3%	49.4%	68.2%	.	.	65.6%

Note: Dot indicates too few participants or no data to report.

Earnings Outcomes (if employed)

Cohort	Total Participants	4 Qtrs Before Service	Last Qtr of Service	2 nd Qtr After Service	6 th Qtr After Service	10 th Qtr After Service	All Qtrs After Service
C-IDEA All	321	\$4,429	\$4,580	\$5,992	\$6,825	\$7,261	\$6,833
C-IDEA Non-completers	212	\$4,044	\$3,887	\$4,811	\$5,722	\$5,742	\$5,544
C-IDEA Completers	109	\$5,108	\$5,604	\$7,787	\$8,525	\$9,475	\$8,712
REM 2006	103	\$1,953	\$1,598	\$3,145	\$5,333	\$5,291	\$4,512
REM 2007	85	\$2,360	\$1,141	\$3,191	\$4,060	.	\$3,600
REM 2008	81	\$4,574	\$2,981	\$4,524	.	.	\$3,838

Note: Dot indicates too few participants or no data to report.

Employment Impacts

Cohort	All Qtrs After Service Ends: Comparison Group	All Qtrs After Service Ends: Treatment Group	Unadjusted Net Effect	Adjusted Net Effect
C-IDEA All	67.3%	77.9%	10.6%	10.6%**
C-IDEA Non-completers	70.7%	71.2%	0.5%	1.1%
C-IDEA Completers	67.8%	90.3%	22.6%	24.8%**
REM 2006	51.2%	51.9%	0.7%	4.6%*
REM 2007	55.1%	50.4%	(4.7%)	5.6%*
REM 2008	59.5%	65.6%	6.1%	4.1%

Note: **=significant at p<.01, *=significant at p<.05

Earnings Impacts Over Time

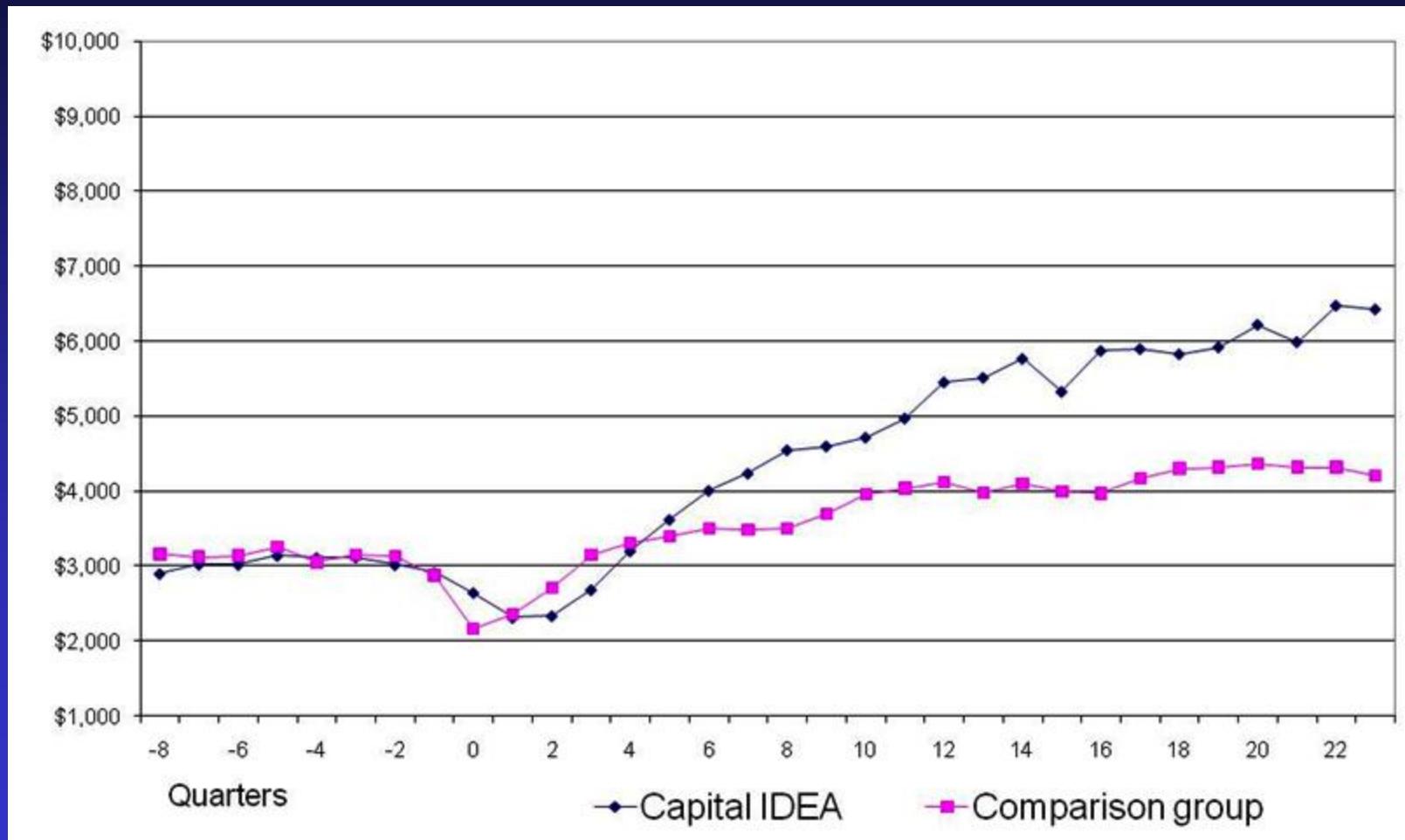
- Earnings averaged over *all* participants, whether employed or not (unconditional earnings)
- Earnings difference between participants and comparison group captures the program's *combined* employment and earnings impacts

MESSAGE:

Longer-term training leading to employment credentials has a large, lasting impact on earnings, while short-term training leads to an initial bump in earnings that is not sustained

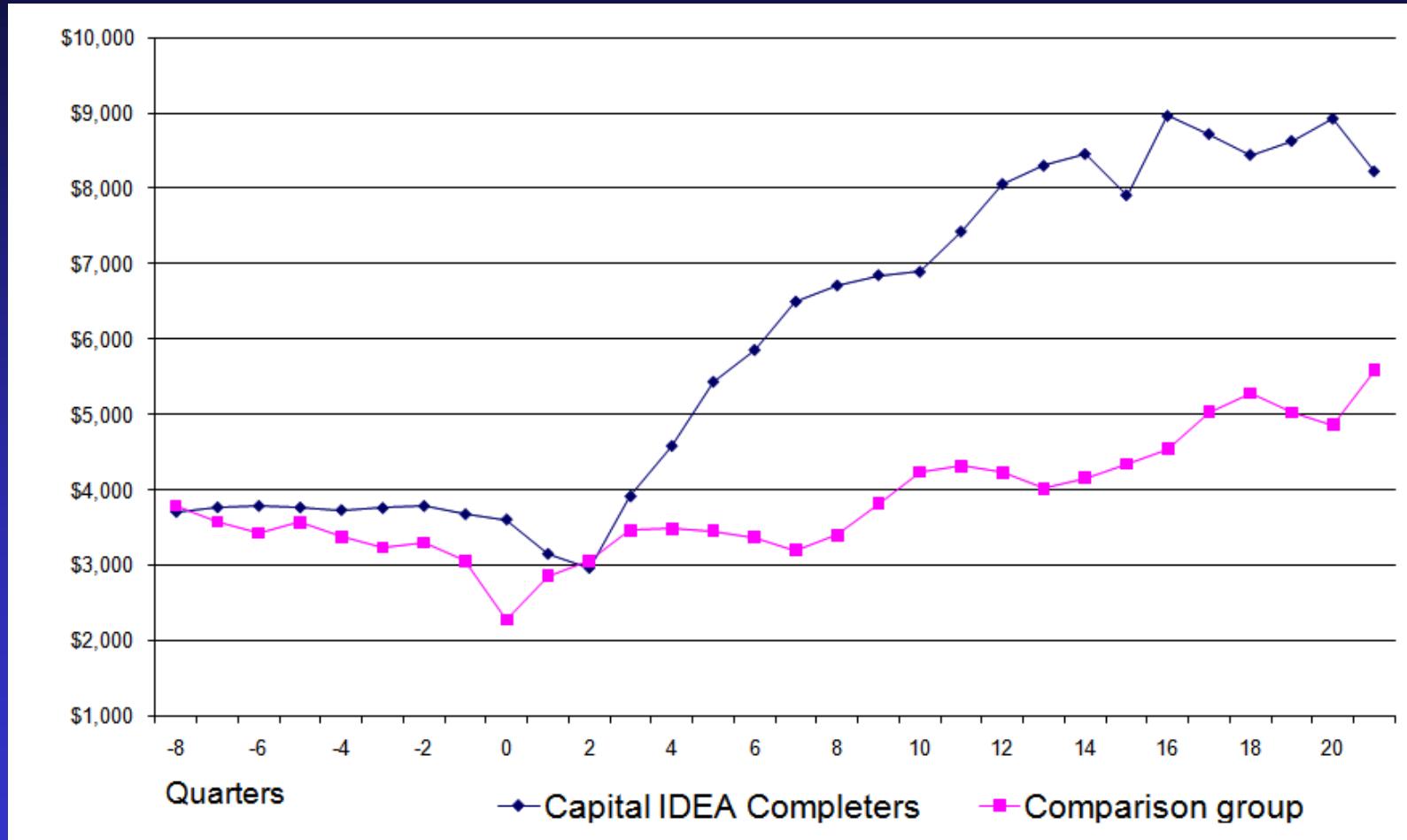
Earnings Impacts Over Time

All Capital IDEA Participants



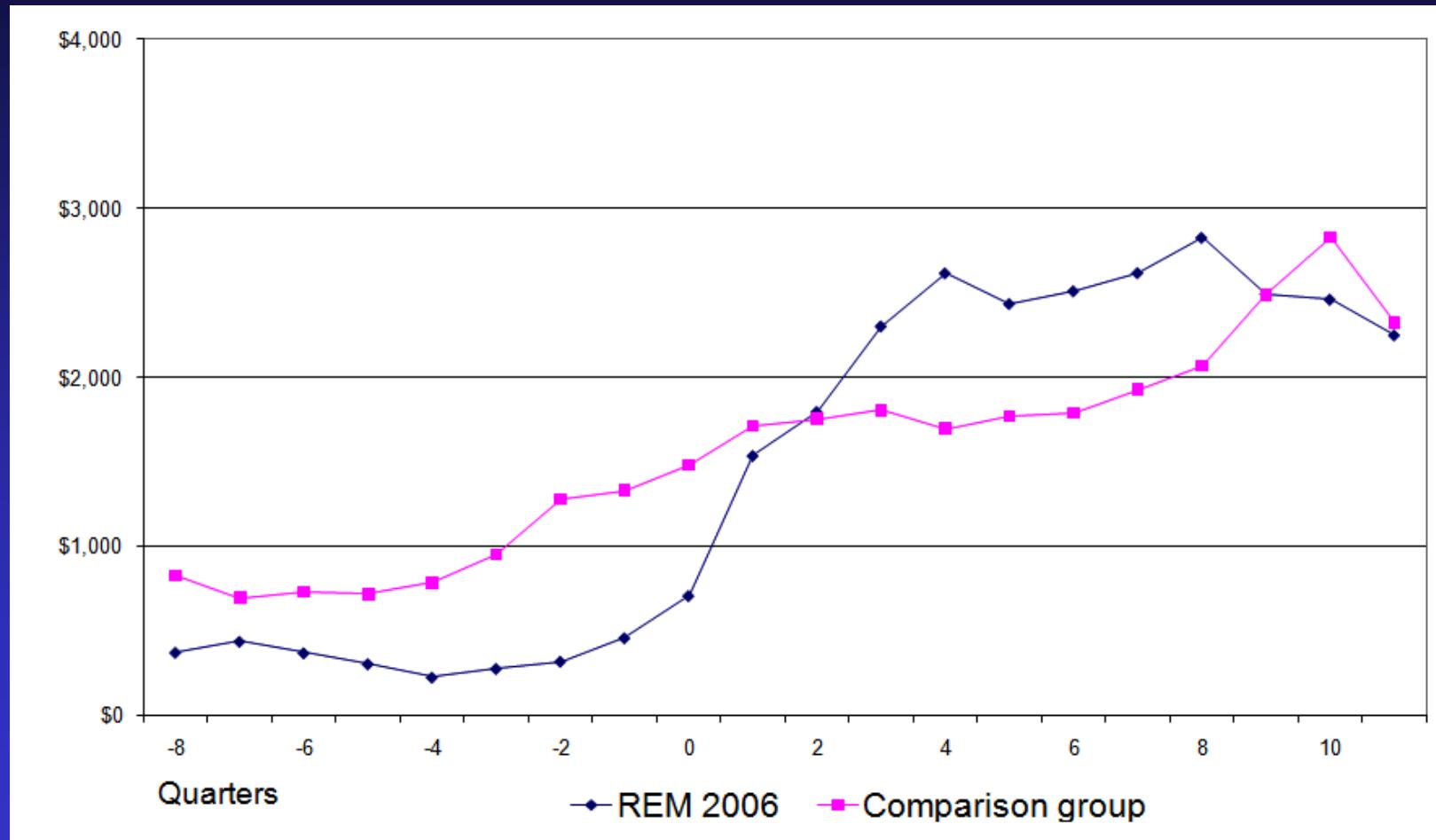
Earnings Impacts Over Time

Capital IDEA Completers Only



Earnings Impacts Over Time

2006 REM Participants



UI Eligibility & Claims Impacts

Capital IDEA participation had statistically significant impacts ($p<.01$) on both UI monetary eligibility and claims

- Completers experienced almost a 26 %-point increase in UI monetary eligibility
- Completers filed 1.7 %-point fewer UI claims

REM participation produced some statistically significant UI-related impacts ($p<.01$)

- 2006 REM participants experienced a 7 %-point increase in UI monetary eligibility
- Later (2007 & 2008) REM cohorts filed 3-7 %-points fewer claims

The Conventional Wisdom on Workforce Investments

“We simply lack any evidence that workforce development programs work.”

— Former Assistant Secretary of Labor for Employment and Training, Emily Stover DeRocco, *The Wall Street Journal* (July 2005)

“[W]hile training may be an effective strategy for modestly improving the earnings of a small number of workers, even the best-run training programs cannot provide a stepping-stone out of poverty for any significant numbers of Americans.”

—Gordon Lafer, *The Job Training Charade* (2002)

“The best available evidence indicates that public training programs are an inefficient transfer mechanism and an inefficient investment policy for low-skilled adult workers.”

—Nobel Laureate James J. Heckman, “Human Capital Policy” (2003)

Four Main Arguments

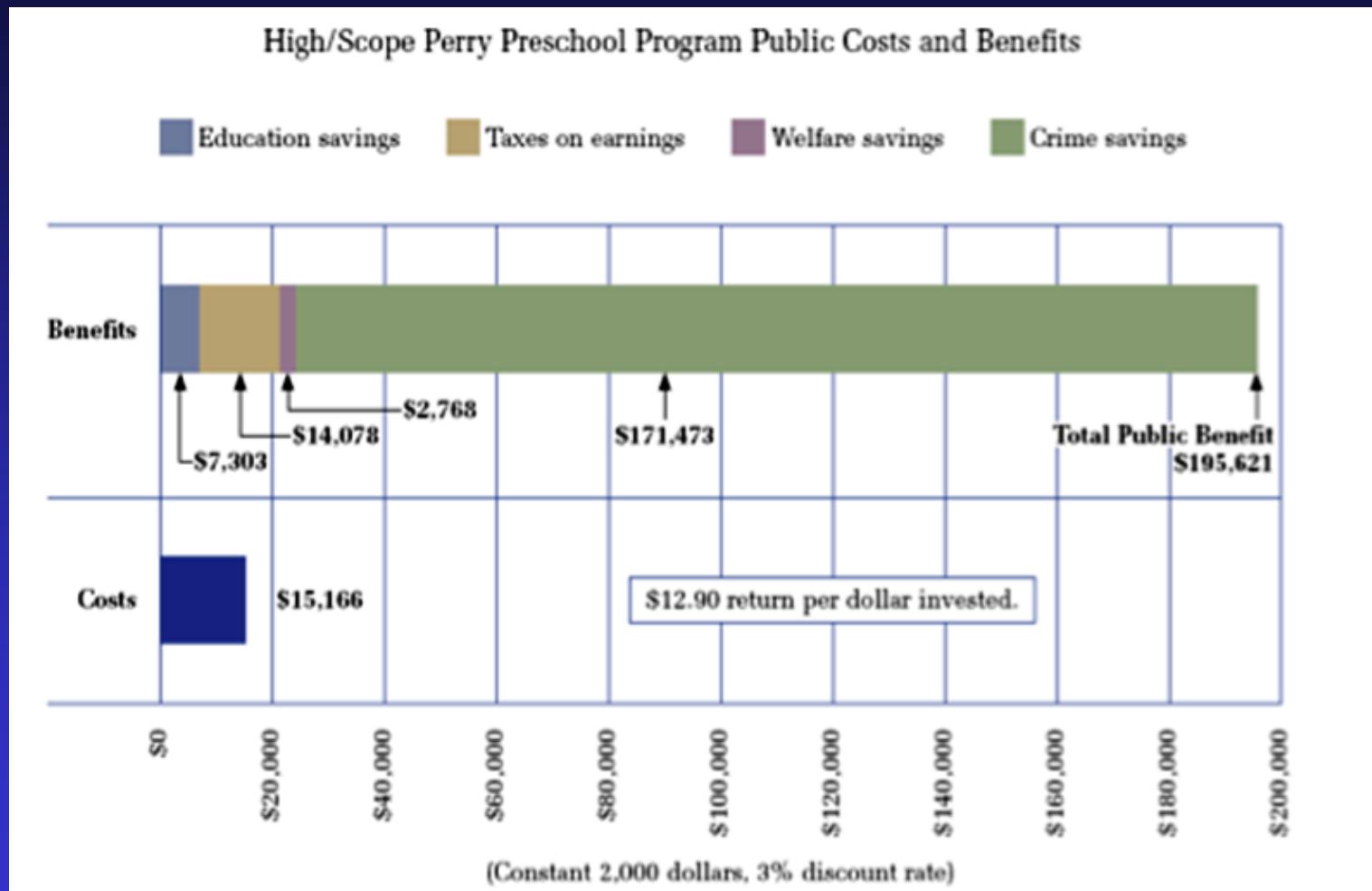
- Impact measurement has been too narrow compared to evaluations of other interventions (e.g., early childhood)
- Untimely follow-up periods have been used for evaluation
- Evaluations have made unfair comparisons/interpretations of information on comparative program effectiveness
- Positive impact findings have been largely neglected in policy discussions and in the press

Narrow Measurement

Consider measuring impacts of early childhood v. workforce investments.

- Perry Pre-school Evaluation factored in incarceration, welfare receipt, high school graduation, earnings, taxes, and many other outcomes, all extrapolated for a lifetime.
- Training evaluations—e.g., National (RA) JTPA Study, Quasi-experimental WIA Impact Evaluations—have mainly focused on employment and earnings and for very limited time periods post participation. Only the recent Job Corps Evaluation has factored in incarceration costs.

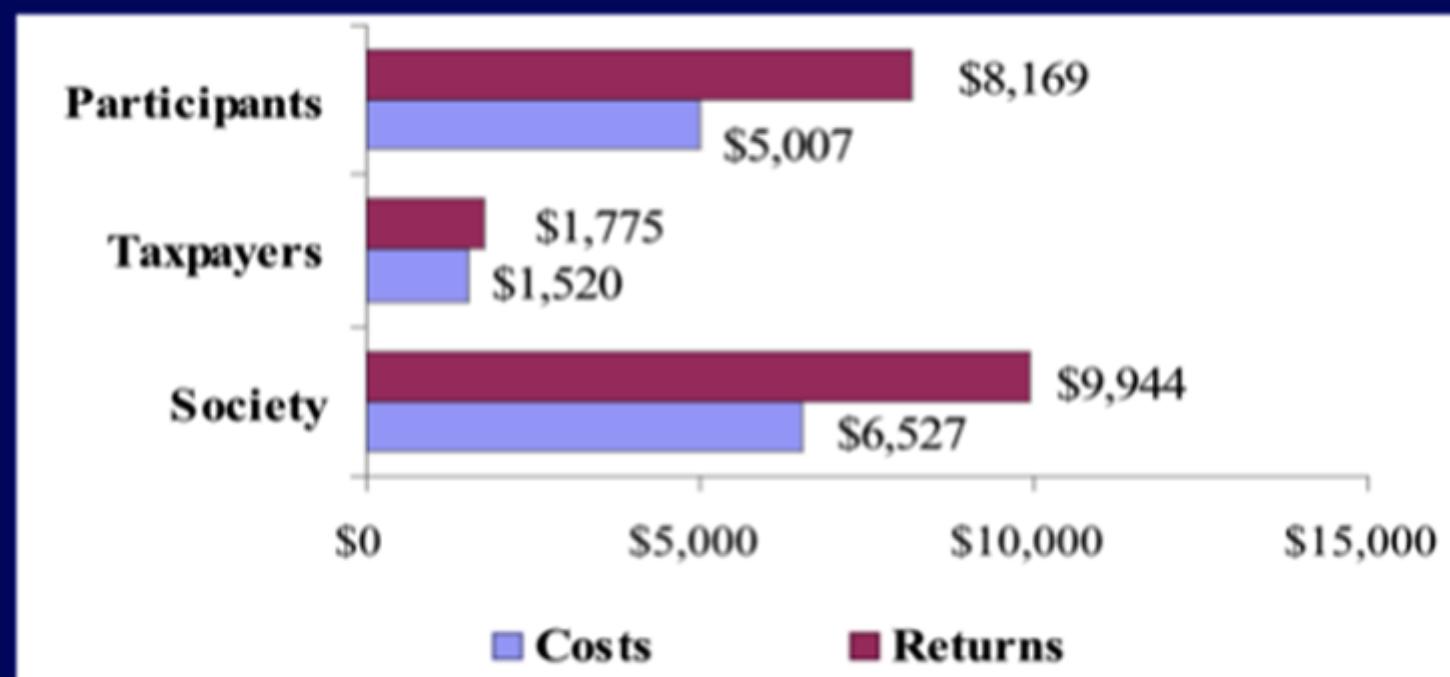
Perry Pre-school Evaluation



Source: Schweinhart et al., 2005

Incorporating the Returns to Employers also Important

Estimated 5-year Costs & Returns for Texas Workforce Investments



Source: King et al. (2010)

Short- v. Longer-term Measurement

- Spending on young children has a far longer horizon — 2-3 decades — over which to produce benefits relative to spending on adults
- Yet, impacts for workforce programs typically measured over timeframes too short to capture results of more intensive investments in skills. Only in more recent analyses have longer timeframes (4-10 yrs) been used
- Growing number of studies show that training impacts typically turn positive in 2nd or 3rd years, while impacts for LFA investments are briefly positive, then fade out completely. [See: Dyke et al., 2006; Hotz et al., 2006; Card et al. 2009; Heinrich et al. 2008; Smith et al. 2009]

Impacts for Whom?

Workforce development evaluations frequently estimate impacts of *assignment* to treatment, not *receipt* of services

- Intent-to-treat design preferred
- Yet, shares of assignees actually receiving treatment typically quite low in workforce programs; impact estimates substantially diluted by large numbers of untreated in treatment group

Quasi-experiments more likely to estimate impact of treatment on treated, avoiding low take-up problem

- Recent experimental and nonexperimental studies have produced similar results about program effectiveness (see Greenberg et al., 2006; Card et al., 2009)

Concluding Observations

Wide range of public and private workforce investment strategies produce returns on par with those for many financial and other educational investments

- 10-26% v. 6-10% estimated real long-run rate of return on stocks and similarly for each year of education attained

Workforce investments produce widespread benefits for employers and society, many of which go unmeasured

- Long-run investments (e.g., Capital IDEA) yield larger, more lasting impacts than short-run LFA investments
- Returns particularly remarkable given magnitude and intensity of workforce investments relative to the size and complexity of the barriers addressed

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