Evaluation Evidence about the Effectiveness of Public Training Programs for Incumbent Workers

Kevin Hollenbeck
W.E. Upjohn Institute, hollenbeck@upjohn.org
Public Job Training

- Most support goes to non-employed individuals
- Have had customized job training for employed individuals for attraction/expansion purposes
- Now using training for incumbent workers for retention/competitiveness purposes
# Descriptive Statistics from Subsidized Employee Training Survey, by Year

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Spending</td>
<td>$433.2 million</td>
<td>$367.4 million</td>
<td>$340.8 million</td>
<td>$324.3 million</td>
</tr>
<tr>
<td>Total Firms</td>
<td>7,440</td>
<td>9,018</td>
<td>7,042</td>
<td>7,793</td>
</tr>
<tr>
<td>Total Workers Trained</td>
<td>521,989</td>
<td>540,331</td>
<td>470,266</td>
<td>477,047</td>
</tr>
<tr>
<td>$/firm</td>
<td>$58,540</td>
<td>$40,732</td>
<td>$48,409</td>
<td>$41,630</td>
</tr>
<tr>
<td>$/worker</td>
<td>$830</td>
<td>$680</td>
<td>$725</td>
<td>$680</td>
</tr>
<tr>
<td>Workers trained/firm</td>
<td>70.2</td>
<td>59.9</td>
<td>23</td>
<td>22</td>
</tr>
<tr>
<td>Number of states reporting</td>
<td>21</td>
<td>23</td>
<td>23</td>
<td>22</td>
</tr>
<tr>
<td>Percent of U.S. population</td>
<td>53.14%</td>
<td>55.54%</td>
<td>55.54%</td>
<td>54.88%</td>
</tr>
<tr>
<td>Extrapolated total U.S. spending</td>
<td>$815.2 million</td>
<td>$661.5 million</td>
<td>$613.6 million</td>
<td>$590.9 million</td>
</tr>
</tbody>
</table>

Source: Upjohn Institute Subsidized Employee Training Survey.

Note: Calculated as Total State Spending from the first row of the table divided by percent of U.S. population in the eighth row of the table.
“Average” State Program

- 200-300 firms per year
- $40-$60K per firm
- 60-70 workers/firm
Massachusetts Workforce Training Fund Grant Program

- Funded by surcharge on state UI tax — $21M
- Started in 1999
- Competitive bids by firms
- Must include 100% match
Massachusetts WTF Average Grant

- $60K
- 18 months
- 100 workers
- Manufacturing sector (65%)
Massachusetts WTF Evaluation
Self-Report

- Improve productivity? 90.8%
- Improve competitiveness? 91.8%
- Other benefits? 91.2%
Massachusetts WTF

- Return on Investment
  - Workers
  - Firms
  - Massachusetts
Self-Reported Data

4. Were there any new hires as a direct result of the training program?
   Yes  No

4.a. If yes, how many?

5. Were any layoffs prevented as a direct result of the training Program?
   Yes  No

5.a. If yes, how many?
Self-Reported Data

6. Have you increased (or, within the next six months do you expect to increase) wages as a direct result of this grant? Yes No

6.a. If yes, what was the average wage increase? ______________

7. Did other employees, not trained through the grant, also receive a wage increase during the same period? Yes No

7.a. If yes, what was the average increase? ______________
Worker Returns

- 35% of respondents had wage differential (7a-6a)

- Mean = 8%

- Return = [2.8, 8.0]; midpoint = 5.4
Return on Investment — Firms

- Productivity effect
  State average VA/Employee Comp = 1.595

- Productivity Effect = $176–$503M in Δ Value Added
Return on Investment — Firms

- Employment effect
  3,995 new hires = 1.7% employment growth

- CRTS $306M in $\Delta$ Value Added

- Total $\Delta$ in VA = $472–$809M
Return on Investment — Firms

- Corporate profit rate on VA = 11.0%
- Profits $53-$89M
- Cost (Match) = $49-$73M
- ROI = 16.6% at midpoints
Return on Investment — Massachusetts

- Of 3,995 jobs, 2,784 were export-based
- Multiplier of 2.0 \(\rightarrow\) 5,568 jobs
- MA cost per job = $8,750
Return on Investment — Massachusetts

- State personal income/job = $66,014
- 5,568 jobs $377M in PI
Return on Investment — Massachusetts

- Productivity effect (above) = $176 – $503M
  
  = $151 – $431M in PI

- Total personal income ↑ $518 – $798M

- State revenues ↑ $77 – $118m (14.77%)
Return on Investment — Massachusetts

- 5,568 new jobs → 7,022 population growth
- Non-welfare state government expenditures per capita = $4,211
- State expenditure ↑ by $30M
Return on Investment — Massachusetts

- Net revenue = $97 – $88M
- WTF cost = $49M
- 1st year return = 38.9%
## Rates of Return

- **Worker**: 5.4%
- **Firm**: 16.6%
- **Commonwealth**: 38.9%
Summary

- Effective economic development tool
  - $8,750/new job created

- High rates of return may imply underinvestment

- Sharp decline in level of funding
  - 30% drop from 2001 to 2004