Individual Training Accounts Provided under the U.S. Workforce Investment Act

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Provided under the U.S. Workforce Investment Act

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I. Training under WIA

The U.S. Department of Labor has funded public training programs for more than fifty years. Over this period, the delivery of training services has evolved toward a structure that provides more discretion for the local workforce investment areas in designing workforce strategy and delivering services and for customers in choosing the services they deem best to meet their needs. Since the 1960s, the federal workforce system has gradually devolved into a partnership between federal, state and local governments, first under the Manpower Development and Training Act of 1962, next under the Comprehensive Employment and Training Act (CETA) of 1973 and then the Job Training Partnership Act (JTPA) of 1982. During that time, the administration of training programs became more decentralized, giving greater discretion to states and local entities to design programs that better meet the needs of workers and businesses.

With the passage of the next iteration of public training programs under the Workforce Investment Act (WIA) of 1998, Congress and the administration gave even more choice to workforce program customers in the types of services they receive. Instead of workforce counselors prescribing the type of training that a worker would receive through public funds, workers are given vouchers that they can use at their discretion at eligible training providers. Referred to as Individual Training Accounts (ITAs), this approach to providing training services became the standard under WIA, which is still in effect today.

The purpose of this paper is to describe Individual Training Accounts as they are currently implemented under WIA. The paper describes the role of training within WIA, describes the structure of ITAs, reviews evaluations of the effectiveness of training, and summarizes an evaluation that specifically focuses on the effectiveness of different approaches to providing Individual Training Accounts.

II. Training and Intensive Services

Public workforce training under the auspices of the Department of Labor is provided primarily through the Workforce Investment Act (WIA) system. WIA is a partnership among federal, state and local agencies. The Employment and Training Administration (ETA) of USDOL establishes broad parameters of the programs, and the state and local agencies design strategies to provide the services most effectively to their local areas. WIA program funds flow from the federal government through the states to the local Workforce Investment Boards (WIB). Each of the nearly 600 local WIBs is responsible for administering the WIA programs in their jurisdiction and in contracting with local organizations to provide services. The WIBs typically contract with local community colleges, local secondary school districts, and private companies to provide the training. Training services include occupational skills training, on-the-job training, programs that combine workplace training and related instruction, including registered apprenticeship, training programs operated by the private sector, skill upgrade and retraining,
entrepreneurship training, job readiness training, adult education and literacy training, and customized training. Additionally, states can enter into contracts with institutions of higher education, such as community colleges, or other eligible training providers to facilitate the training of a group of individuals in high-demand occupations.

Training under WIA is provided by different organizations and instruction is offered at different skill levels. Occupational skills training refers to training for a particular skill or for a set of skills necessary to qualify for an occupation. Community colleges and private training providers typically provide this type of training, which takes place outside the workplace and in a classroom setting. On-the-job training (OJT) takes place in the workplace and provides job seekers with work experience and skills training that will help them qualify for and retain employment. The OJT program pays the workers’ employer half the costs of training. Apprenticeship training combines education and work experience and results in a portable credential that is recognized by employers nationwide. Customized training is designed to upgrade the skills of incumbent workers in specific businesses. Businesses apply for the grants, and once approved the training is tailored to their needs and the services are provided either at the company or at community college training centers. Under this program, the employer pays for at least half the cost of the training. The High Growth and Emerging Industries initiative provides specific training for workers to qualify for energy efficiency and renewable energy jobs and for careers in the health care sector.

WIA also provides general remedial instruction to economically disadvantaged workers, many of whom have received welfare assistance for some time and find that they do not have the work experience or the basic skills to qualify for even the most remedial jobs. Job readiness and adult education and literacy training provide the basics needed to enter the workforce. Entrepreneurship training focuses on helping employees own their own businesses. It offers the basics of starting and running a small business, including instruction on how to write a business plan and to obtain financing. The program also provides technical assistance and counseling. Job seekers who are veterans receive priority referral to jobs and training as well as special employment services and assistance. In addition, the system provides specialized attention and service to individuals with disabilities, migrant and seasonal farm-workers, ex-offenders, youth, minorities and older workers.

The Trade Adjustment Assistance Act also provides training to dislocated workers. The Trade Adjustment Assistance (TAA) program is similar to the dislocated worker program with respect to the type of training provided, but it provides more intensive training and a broader scope of supportive services. There are two major differences between TAA and the WIA Dislocated Worker program. First, the TAA program is intended to assist workers whose companies have been adversely affected by foreign competition, which is more of a structural issue than a cyclical one. Consequently, the number of workers who qualify for the TAA program is limited by this requirement, whereas WIA Dislocated Worker program includes
workers displaced for a variety of reasons. Second, TAA provides cash assistance for workers while in training; WIA Dislocated Worker program does not. TAA also offers more comprehensive support services than WIA Dislocated Worker. TAA offers up to 130 weeks of cash payments, provides subsidized health insurance, and covers costs associated with job search and relocation.

It should be mentioned that the Department of Labor is not the only federal agency that provides training. In fact, a recent study found that it provided approximately a third of the federal spending on job training. The Department of Education, through student grants and other services, accounted for nearly 60 percent of federal job training expenditures.¹

That same study showed that only about 25 percent of the total budget for employment and training services are actually spent on training programs. The result is not surprising in a universal access, one-stop environment in which the large majority of workers need only core and intensive services, not training. Using the estimates of the expenditures for training and the number of participants receiving training, the expenditures per trainee in 2002 for both the Adult and Dislocated Worker programs ranged from $3000 to $5000, depending upon whether or not the low or high estimate of expenditures is used (Table 1). Since funding for employment and training services has remained relatively flat since 2002, the estimates of the training expenditures per trainee are probably about the same in 2010 as they were eight years ago.

Table 1: Estimated Expenditures of Job Training and Number of Trainees, U.S. Department of Labor, 2002

<table>
<thead>
<tr>
<th>Program</th>
<th>Low ($000)</th>
<th>High ($000)</th>
<th>Trainees</th>
<th>Low ($)</th>
<th>High ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WIA Dislocated Worker</td>
<td>280215</td>
<td>467025</td>
<td>93400</td>
<td>3000</td>
<td>5000</td>
</tr>
<tr>
<td>WIA Adult</td>
<td>303237</td>
<td>505395</td>
<td>101000</td>
<td>3002</td>
<td>5004</td>
</tr>
<tr>
<td>WIA Youth</td>
<td>47801</td>
<td>159338</td>
<td>63700</td>
<td>750</td>
<td>2501</td>
</tr>
<tr>
<td>Job Corps</td>
<td>207100</td>
<td>207100</td>
<td>52800</td>
<td>3922</td>
<td>3922</td>
</tr>
<tr>
<td>Trade Adjustment Assistance</td>
<td>79823</td>
<td>79823</td>
<td>40700</td>
<td>1961</td>
<td>1961</td>
</tr>
<tr>
<td>H-1B Technical Skills Grants</td>
<td>12071</td>
<td>19752</td>
<td>29500</td>
<td>409</td>
<td>670</td>
</tr>
<tr>
<td>All other programs</td>
<td>127141</td>
<td>308823</td>
<td>113900</td>
<td>1906</td>
<td>2711</td>
</tr>
<tr>
<td>Total</td>
<td>1147389</td>
<td>1747258</td>
<td>495000</td>
<td>2318</td>
<td>3530</td>
</tr>
</tbody>
</table>


III. ITAs Under WIA

WIA requires that local workforce investment areas provide access to training that “maximizes customer choice” (WIA Title 1.B.134). The architects of WIA wanted to move more toward a model in which the customer chooses the type of training and provider of training services and away from a more directed and structured approach, which was prevalent under

¹ Mikelson and Nightingale (2006), p. 40
JTPA. Vouchers in the form of Individual Training Accounts (ITAs) offered this greater freedom of choice. Vouchers provide an individual with limited purchasing power to choose among a restricted set of services. Other government agencies have used vouchers for subsidizing the purchase of food or housing, to name a few examples. The use of ITAs under WIA was the first time that the workforce system had used vouchers to access training or other employment services. Training under JTPA was directed by counselors who limited the choices regarding types and providers of training.

WIA regulations require that local workforce areas provide training through Individual Training Accounts (ITAs) except in some limited circumstances. These exceptions include on-the-job training or customized training for incumbent workers provided by an employer or training provided by an organization for special target populations, such as those facing multiple employment barriers. WIA also requires local workforce areas to be accountable to performance outcomes of the participants in terms of employment and earnings. However, the federal government authorized the states and localities to determine the nature of ITAs along the continuum from free choice to informed or guided choice. To strike a balance between these two requirements of maximizing choice and getting participants into jobs, local areas predominantly followed a model of “informed customer choice.” A study of the early implementation WIA found that the 57 sites studied had many aspects in common. Yet, the exact procedures varied by local workforce area and have changed over time. Case managers endeavored to make sure that the customers had ample information and assistance regarding training options, job prospects, and their own skill assessments. According to the study, nearly all areas required customers to undertake a formal assessment of their basic skills or occupational interests. Customers were required to research their training choices, and some areas asked customers to visit the training provider and interviewing former trainees or employers. Customers were assisted by the list of eligible training providers, compiled by each state and by an enhanced labor market information system that provided information on job openings and projections of demand for a long list of occupations.

More explicitly, the “Informed Choice Model,” adopted by most local areas, has four main characteristics:

1. Assessment and counseling are provided to transmit labor market information and to determine whether the proposed training is both appropriate for the customer and also in a demand occupation;
2. Training vendors are screened to determine the quality, outcomes, and cost of training;

The ITA evaluation referred to this model as the “Guided Customer Choice” approach.

3. Counselors and customers jointly make decisions, with frontline staff acting in the roles of guides, facilitators, and information brokers;
4. The voucher is limited both in time and dollar value.\(^4\)

*Eligible Training Providers*

A critical component of the Informed Choice Model is the Eligible Training Provider List (ETP). In keeping with the basic premise of informed customer choice that customers need to be supported by high quality information and guidance, WIA legislation specifies two objectives of the ETP list: define the training providers that Adult and Dislocated Worker participants may consider and serve as a resource to research the effectiveness of training providers. Obviously, there is some tension in these two objectives. The first excludes some “unqualified” providers and the second requires a list of good and not as good providers to provide a sound basis for the research.

For training providers to be included on the ETP, their program has to be certified by states and local areas as meeting acceptable performance levels on a variety of outcome measures. While these criteria vary by state and local area, the following is a representative list:

1. The percentage of all participants who completed training;
2. The percentage of all participants who obtained unsubsidized employment;
3. The average wages at placement of all participants;
4. The percentage of WIA-funded participant who completed training and obtained unsubsidized employment;
5. The percentage of WIA-funded completers who were employed six months after the start of employment;
6. The average wages received by WIA-funded completers, measured six months after the first day of employment, and
7. If applicable, the percentage of WIA-funded completers who obtained a license or certificate, an academic degree or equivalent or other measures of skills.\(^5\)

Of these seven measures, three apply to all students in a program’s prior cohort of trainees and four apply to prior cohorts who received WIA funding. These criteria must be met for each program for which the provider is seeking eligibility.

For example, the State of Washington has established certification criteria for training providers that closely follow the list above. In order for the program of a training provider to be eligible, the program must meet or exceed certain performance levels. First, a program must meet or exceed each of the following *minimum* performance floors:

1. A completion rate of 20 percent;
2. An employment rate of 50 percent;
3. An earnings level of $3,643 in a calendar quarter.

Failure to achieve any one of these minimum floors shall make the program ineligible. In addition, the program must achieve at least an average of 100 percent of the following performance targets:

1. A completion rate of 30 percent;
2. An employment rate of 65 percent;
3. An earnings level of $4,578 in a calendar quarter;

where the average is calculated by dividing actual performance on each measure by the target for that measure, adding the results together, and dividing by the number of measures for which there is sufficient data. If the program meets or exceeds the minimum performance floor on an average of 100 percent of the performance targets, the program satisfies the state-required performance levels.6

The State of Washington compiles the information regarding employment outcomes for each provider by linking the student records provided by the training provider to the state’s UI wage records. The UI wage records allow the state to follow a student’s employment and earnings after he or she graduates from the program. In addition to satisfying the employment outcome criteria, a training provider must meet requirements such as possessing a license to conduct business in the state, being eligible to receive federal funds, and complying with the federal and state employment regulations. They also agree to provide the pertinent student information to the state. Since the federal regulations require certification on each program at each site, the State of Washington also provides a detailed list of programs for which certification is required.

Not all states have compiled data on employment outcomes of program graduates to the extent that Washington has. Barnow and King, in an evaluation of the early implementation of WIA, found that some states faced resistance from training providers in providing the detailed information used to develop the lists.7 They found that in many cases, training providers, such as community colleges, do not track students after graduation and have little information about their success in finding and retaining a job. Interestingly, for-profit proprietary schools typically have more information on their graduates than do community colleges, perhaps reflecting the fact that the selling point of attending a for-profit school compared with a state-subsidized school is the greater emphasis on, and thus assistance given to, finding employment immediately after completion. In addition, WIA customers tend to represent a far larger share of students for

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proprietary providers than for community colleges, and thus the for-profit providers have a
greater incentive to seek certification.  

Because of the lack of information about graduates, some states have evaluated providers
according to their compliance with curricula standards, student evaluations, and record keeping
capacity. For instance, the instructional booklet for initial application to be a training provider in
the State of New Jersey lists the following required documents and certifications:

1. Resumes and three letters of reference for the school owner/administrator and
each director and co-director;
2. Site certificates for occupancy and compliance with fire codes;
3. Liability Insurance and Workers’ Compensation Coverage;
4. Authorization to conduct business in New Jersey;
5. Curriculum Assessment Checklist;
6. Student Handbook;
7. Student Record Keeping;
8. Proof of Instructor’s Qualifications.

Of all the documents required to be submitted for approval, none requires the provider to
list the outcomes of the student after graduation. The record keeping requirement includes
information on the student regarding name; social security number; courses taken and completed;
academic progress, grades, and the like.  

The New Jersey handbook does require proof of qualifications for each program’s
instructors. For instructors of certified industry program, the requirements are explicit. These
include:

1. Appropriate instructional certificate issued by the State Board of Examiners or
   comparable teaching certificate issued by a recognized certifying authority in
   another state;
2. Baccalaureate degree from a recognized institution with major or specialization in
   the subject area to be taught;
3. Passing score on the written portion of appropriate National Occupational
   Competency Examination and a minimum of two years full-time employment in
   the occupation prior to taking the examination;
4. Certificate of completion form an approved school, license or rating in the
   occupational area to be taught and a minimum of two years full-time employment
   in the occupation following the training time;

8 Local training providers that were active under JTPA programs did not automatically qualify to serve WIA
customers and had to apply.
9 By requiring the provider to provide students’ social security numbers, the state could link the student records to
UI wage records and track employment and earnings after graduation, as the State of Washington does.
5. High school diploma or equivalent and six years full-time employment in skilled trade or technical occupation to be taught;
6. High school diploma or equivalent and three years full-time employment in business or service occupation to be taught.\textsuperscript{10}

Criteria established by other states to certify eligible training providers varies between those who compile employment outcomes, such as the State of Washington, to those who proxy outcomes by using qualifications of instructors and other intermediate indicators.

\textit{Voucher Limits}

WIA regulations allow states and local boards to set dollar and time limits on the training they will support through the ITAs. In many cases, the decisions are completely left up to the local areas.\textsuperscript{11} The limits vary greatly, even within the same state. D’Amico and Saltzman, in their study of the early years of WIA, found that dollar limits ranged from under $2000 per ITA recipient to a high of $7,500 or more in other areas. The modal amount granted under the ITA was $5,000.\textsuperscript{12} In setting their expenditure limits, local areas attempted to balance accessibility with financial discipline. They recognized that setting the expenditure caps too high would provide little incentive for ITA holders and providers to economize, which would limit the number of people who could use the scarce federal training dollars allocated to each local area. Setting the caps too low would serve to exclude providers that offered higher quality longer term training opportunities, and thus curtail choices open to customers.

\textit{Qualification of Training Provider Staff}

WIA places more emphasis on performance with respect to employment and educational outcomes of participants than it does on the qualifications of training staff. However, as illustrated with the example of New Jersey, some states give attention to the credentials of training staff, particularly in cases in which employment outcomes are not available. The credentials, as described in the New Jersey case, include educational attainment, a study major in the appropriate fields, industry certifications, and appropriate industry experience.

Workforce administrators in general are typically certified by their professional organization—The National Association of Workforce Development Professionals (NAWDP). The certification structure includes the areas of management services, job seeker services, and

\footnotesize{\textsuperscript{10} Training Provider, Initial Application Instruction Booklet, New Jersey Department of Labor and Workforce Development, Division of One-Stop Coordination and Support, PO Box 055, Trenton, NJ 08625. The New Jersey website for training opportunities states that “This site's newest features give you the ability to compare training providers by employment outcomes and the starting salary after graduation. However, it does not appear that that information has yet been posted for the occupations I test. At least not as of November 28, 2010.}
\textsuperscript{11} D’Amico and Saltzman’s evaluation found that each of the 19 states included in the study devolved this authority to their local areas.
\textsuperscript{12} The modal value of $5,000 is what Mikelson and Nightingale found as the high estimate for the training expenditures for Adult and Dislocated Worker programs in 2002.
business and employer services. The NAWDP establishes competencies for these areas. For example, competencies include knowledge of the history and structure of the workforce system, labor market information, diversity awareness, customer service, and the career development process, to mention a few. Job seeker services include competencies related to job preparation skills, job search skills, and case management, among others. Business and employer services competencies include business communication, development of business relationships and knowledge of economic development. Management services encompass competencies related to planning and design, performance management, strategic direction, and quality improvement.

Applicants for certification and endorsements must provide detailed explanation of how they achieved competency in each of the specific areas. Applicants who rate themselves as lacking or only having basic knowledge or skills in one or more areas will be expected to seek and obtain training in those areas before renewal of their certification. Competency is based on professional experience and coursework. Applications are subject to random checks by the NAWDP office to verify the information contained. In order to renew a certification, the applicant must submit 20 to 60 hours of continuing professional development, depending upon the area of competency.

Utilization of ITAs under WIA

Unlike JTPA which limited services to primarily the economically disadvantaged, WIA was designed to provide universal access to all those who sought reemployment services. However, recognizing that funding was not sufficient to meet the needs of everyone, particularly those seeking intensive or training services, WIA provided three levels of services. Each level offered a different intensity of services. The design of the program was for customers to start with the least intensive services and if that assistance did not result in finding a job, the customer would move to the next more intensive service. Training was in a sense the last resort in assisting a customer in find employment. Core services are the least intensive. They include, among other things, outreach, intake, and orientation to services, job search and placement assistance, and access to labor market information. Many of these services are self-directed without much assistance from staff. Intensive services comprise the next level of services and include comprehensive and specialized assessments, development of the individual employment plan, group and individual counseling, and short-term pre-vocational services. Many of these services are staff assisted. Training is the most intensive level of services, the most expensive, and requires the most staff intervention. Both WIA Adult and Dislocated Worker programs follow this hierarchy of services.

According to administrative records for program year 2007 (July 2007-June 2008), the WIA Adult program serves nearly 5 times as many participants as the Dislocated Worker program: 2.3 million participants compared with 400,000. The Adult program also exits nearly five times as many as well: 542,000 versus 128,000. However, a far larger percentage of the Adult exiters receive core services than do the Dislocated Worker exiters. Therefore, to
understand the extent to which training is provided, it is best to consider the share of exiters who received more than core services only. For the Adult program, the number receiving more than core services is 223,000 and for the Dislocated Worker program the number is 133,000. In this case, about half the (non-core only) exiters in each program receive training. Of those receiving training, 37 percent of the Adult program trainees received training through ITAs, and 41 percent of Dislocated Worker trainees used ITAs. Presumably, the remaining trainees are enrolled in exempt training programs, such as on-the-training and customized training.

IV. Effectiveness of Job Training Programs

Evaluations of WIA and its predecessor the Job Training Partnership Act have found training to have positive effects on employment and earnings. Although WIA has been in place for more than a decade, it is only recently that the U.S. Department has authorized a rigorous evaluation of its effectiveness using random assignment methodology. However, results will not be released for several years. Congress, on the other hand, required that WIA’s predecessor—the Job Training and Partnership Act—be evaluated using a random assignment approach.\footnote{The random assignment methodology creates a comparison group by randomly assigning individuals to either a treatment group or a control group. Individuals in the treatment group receive the training, and those in the control group do not. As the assignment is random and with a large enough sample, the individuals in the two groups should be identical in characteristics, motivation, and other attributes, eliminating any selection bias. Therefore, examining differences in the means of worker outcomes, such as employment and retention rates, yields the net impact of the training programs under evaluation.} Therefore, most of what we know about the effects of job training programs is from that evaluation. However, UpJohn Institute staff has conducted evaluations of WIA for a few states using a less rigorous approach, but one that yields results that are consistent with the JTPA evaluation findings. Therefore, results from both studies will be summarized to offer a perspective on the effectiveness of job training.

In general, results from the JTPA evaluation found positive but modest effects on employment and earnings (Table 2). The effects varied by gender, economic and labor market status, and the way in which training services were delivered. As shown in table 2, women appeared to respond more favorably to training than men. Earnings gains after 30 months from leaving the training program were nearly 7 percentage points higher for women than men. Adult women on welfare benefited even more. The same advantage was found for young women, although the results are not statistically significant. Curiously, adult men and women fared better in on-the-job training whereas, young men and women responded more favorably to classroom training, although the results for youth were not statistically significant. Finally, even though adult women had higher earnings gains than adult men, the net benefits to society for men and women were about the same. Programs with only classroom training tended not to have significant results, except for women and when classroom training was strongly linked to employers.
### Table 2  Subgroup Net Impact Estimates of the 1996 JTPA National Evaluation

<table>
<thead>
<tr>
<th>Group</th>
<th>Earnings (30 months)</th>
<th>% chg from control group</th>
<th>Net Benefits Enrollees</th>
<th>Net Benefits Society</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adult Men</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OJT</td>
<td>$1599*</td>
<td>8.0%</td>
<td>1822</td>
<td>524</td>
</tr>
<tr>
<td>CT</td>
<td>2109</td>
<td>9.8</td>
<td>2232</td>
<td>648</td>
</tr>
<tr>
<td><strong>Adult Women</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OJT</td>
<td>1837***</td>
<td>14.8</td>
<td>1422</td>
<td>512</td>
</tr>
<tr>
<td>CT</td>
<td>2292**</td>
<td>15.3%</td>
<td>1695</td>
<td>1091</td>
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<tr>
<td><strong>Adult Welfare Women</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>OJT</td>
<td>630</td>
<td>5.5</td>
<td>287</td>
<td>-1027</td>
</tr>
<tr>
<td><strong>Youth Male</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OJT</td>
<td>-868</td>
<td>-5.0</td>
<td>-530</td>
<td>-2923</td>
</tr>
<tr>
<td>CT</td>
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<td>-3.9</td>
<td>-2481</td>
<td>-6766</td>
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<tr>
<td><strong>Youth Female</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OJT</td>
<td>251</td>
<td>8.9</td>
<td>815</td>
<td>-1608</td>
</tr>
<tr>
<td>CT</td>
<td>210</td>
<td>2.0</td>
<td>-121</td>
<td>-1180</td>
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<tr>
<td><strong>Youth Male</strong></td>
<td></td>
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</tr>
<tr>
<td>OJT</td>
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<td>-1003</td>
<td>-2670</td>
</tr>
<tr>
<td>CT</td>
<td>839</td>
<td>1.6</td>
<td>1100</td>
<td>-1028</td>
</tr>
</tbody>
</table>

Source: National JTPA Evaluation

Hollenbeck has conducted evaluations of WIA programs in a few states, using a quasi-experimental approach based on administrative and wage record data. The results from the State of Washington are representative of those found for the other states and will be discussed in this section. Hollenbeck (2002) used this non-experimental approach of statistical matching to evaluate workforce development programs in the State of Washington.\(^{14}\) Net impacts of training were then determined by comparing outcomes for individuals who participated in the training programs to their matched counterparts who enrolled in the employment service but never participated in any specific programs. Using this method, Hollenbeck found consistent evidence that suggests that the federal job training programs, as administered in the State of Washington, are effective, especially in increasing employment rates, but also in generating higher earnings. For (nondislocated worker) adults, the employment impact was on the order of 15–20 percent, and the earnings impact was on the order of 10–20 percent for men and 20–40 percent for women. For dislocated workers, the employment impact was slightly less—on the order of 10–15 percent. The earnings impact is also lower—around 5–10 percent for both males and females.

Public training programs have been criticized for the relatively small net impact on earnings found by evaluations. If the purpose of training is to provide workers with skills that will get them and their families out of poverty and into the middle class (a strategic goal of the U.S. Department of Labor), then the net increases are not sufficient to do so. However, LaLonde (1995), in a comprehensive review of training evaluations, concluded that “We got what we paid for. Public sector investments in training are exceedingly small compared to the magnitude of the skill deficiencies that policy makers are trying to address.” Even if training programs yield a rate of return of 10 percent, the net effect of an investment of $5,000 per trainee would be only $500 per year in increased earnings, which is not sufficient to achieve the goal of raising a family’s economic status. Training programs are short-term, particularly compared with the long-term education investment in high school or post-secondary studies.

Performance Outcomes and Number of Participants of the Two WIA Programs

In general, performance outcomes of the two WIA programs reflect the evaluation findings. Under the Workforce Investment Act (WIA), the Employment and Training Administration (ETA) established three basic performance measures: 1) entered employment, 2) job retention, and 3) earnings levels. When viewing these three performance measures by service area, those with training exhibit higher outcomes than those who received core services only, as displayed in Table 3. For example, for WIA Adult exiters in Program Year 2007, 79.2 percent of those with training found employment upon exiting the program compared with 67.6 percent of those who received core services only. The retention rate is also higher for those who received training versus those who received core services only, but the gap is smaller than in the previous case. WIA Dislocated Worker exiters with training also show a similar advantage. The entered employment rate is 85.9 percent for those with training versus 63.2 percent for those with core services only; the retention rate is 89.3 percent versus for training recipients and 63.2 percent for core-service-only recipients. One reason for the advantage is that those receiving training in both programs find jobs in occupations, such as management and professional which typically have lower unemployment rates and command higher salaries, whereas those receiving core services are typically in sales.

16 It should also be noted that the US devotes a much smaller portion of its GDP to public training programs than the average of OECD countries. In 2006, training programs in the US accounted for 0.05 percent of GDP compared to an average of 0.17 percent for OECD countries. The percentage of the US labor force receiving public training services is 0.19 percent compared to the OECD average of 1.24 percent.
17 Comparing outcomes across groups that receive different types of services should not be considered an appropriate evaluation of the effective of various types of services. Such a comparison suffers from the lack of an appropriate comparison group and from selection bias, among other deficiencies.
Table 3: Performance Outcomes of WIA Program Participants by Services Received

<table>
<thead>
<tr>
<th>Performance Outcomes</th>
<th>All</th>
<th>Of those who received the following services:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Core Services Only</td>
<td>Core &amp; Intensive Services Only</td>
</tr>
<tr>
<td>WIA Adult</td>
<td></td>
<td>69.3</td>
<td>67.6</td>
</tr>
<tr>
<td>Entered Employment Rate (%)</td>
<td>83.3</td>
<td>82.6</td>
<td>80.8</td>
</tr>
<tr>
<td>Earnings</td>
<td></td>
<td>$13,840</td>
<td>14,072</td>
</tr>
<tr>
<td>Occupation of Employment (%)</td>
<td></td>
<td>258</td>
<td>13.5</td>
</tr>
<tr>
<td>Managerial and Professional</td>
<td>22.3</td>
<td>19.4</td>
<td>25.3</td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td>20.0</td>
<td>35.5</td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td>27.4</td>
<td>28.1</td>
</tr>
<tr>
<td>Occupation of Employment (%)</td>
<td></td>
<td>27.4</td>
<td>31.0</td>
</tr>
<tr>
<td>WIA Dislocated Worker</td>
<td></td>
<td>72.5</td>
<td>63.2</td>
</tr>
<tr>
<td>Entered Employment Rate (%)</td>
<td>85.7</td>
<td>82.0</td>
<td>86.3</td>
</tr>
<tr>
<td>Earnings</td>
<td></td>
<td>$14,518</td>
<td>14,396</td>
</tr>
<tr>
<td>Occupation of Employment (%)</td>
<td></td>
<td>25.9</td>
<td>18.7</td>
</tr>
<tr>
<td>Managerial and Professional</td>
<td>13.6</td>
<td>10.8</td>
<td>12.7</td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td>22.9</td>
<td>33.2</td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td>33.9</td>
<td>31.0</td>
</tr>
</tbody>
</table>

Source: WIASRD, U.S. Department of Labor, Employment and Training Administration

V. Does Customer Choice Make a Difference?

The premise of ITAs is that customer choice will provide a better match between the needs of customers and the services provided and more competition among training providers to offer the best training. Does choice make a difference? To answer this question, the US Department of Labor funded a random assignment evaluation to compare the effectiveness of three different levels of customer choice. Three approaches were tested. They varied along three dimensions related to the management of customer choice: 1) spending limits; 2) whether counseling is mandatory or voluntary; and 3) the extent to which local counselors can restrict customer choices. The three approaches are summarized in Table 4. Since the study design did not include a comparison group that received no training, the ITA evaluation examined only the relative effectiveness of the different methods of training, not the effectiveness of training alone.

The first approach was the most directed. Termed “Structured Customer Choice,” it required customers to receive intensive counseling, in which counselors were expected to steer customers to training programs with a high return. Counselors could reject customers’ choices...
that did not fit this criterion. Counselors decided on the amount of the ITA, which could be higher than under the other approaches, up to a maximum of $8,000 in most sites.

The second approach was similar to the approach that most workforce investment agencies adopted in the transition to WIA. Under this approach, referred to as “Guided Customer Choice,” counseling was mandatory, but it was less intensive than under the first approach. Counselors could not reject customers’ choices if they were on the state’s list of eligible providers. Customers received a fixed ITA award of $3,000 to $5,000.

The third approach offered the most customer choice and the least structure. The “Maximum Customer Choice” approach did not require customers to participate in counseling after being found eligible for WIA-funded training, but customers could receive counseling if they requested it. Customers received a fixed ITA award, equal to the award of the second approach. Like the second approach, counselors could not reject customers’ choices if they were on the state’s list of approved providers.

Table 4: The Three Approaches Tested in the ITA Experiment

<table>
<thead>
<tr>
<th>Approach</th>
<th>1: Structured Customer Choice</th>
<th>2: Guided Customer Choice</th>
<th>3: Maximum Customer Choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Award amount</td>
<td>Customized</td>
<td>Fixed</td>
<td>Fixed</td>
</tr>
<tr>
<td>Counseling</td>
<td>Mandatory, most intensive</td>
<td>Mandatory, moderate intensity</td>
<td>Voluntary</td>
</tr>
<tr>
<td>Could counselors reject</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>customers’ program choices?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The ITA experiment, conducted by Mathematica Policy Research, used an experimental design to explore how these three approaches affected customer outcomes. All three approaches were implemented side by side in eight study sites across the country. Each study site was a local workforce investment which had fully implemented the WIA programs. Nearly 8,000 customers determined eligible for training at the participating sites were randomly assigned to one of the three approaches. Counselors worked with customers assigned to all three approaches. No one was denied services, only the relative intensity of the approaches varied across the three groups as previously described. The evaluation took place between December 2001 and February 2004.

The relative effectiveness of the three approaches was assessed by conducting pairwise comparisons of employment outcomes between the different combinations of approaches. Outcomes were obtained from the sources: the local workforce investment areas’ management information, a 15-month follow-up survey, and administrative data. The management

information system recorded participation in counseling, ITA receipt, and training expenditures. The survey contained questions about the receipt of counseling, satisfaction with counseling, participation in counseling, employment and earnings, and receipt of UI and public assistance. The administrative data was from UI wage records and included earnings at least five quarters before and after random assignment.

The benefit-cost analysis examined the benefits and costs of each approach to determine which approach was most cost-effective. The key benefits are associated with changes in earnings, fringe benefits, taxes, UI receipt and public assistance receipt. The four costs are the ITA awards, costs of training not funded by ITAs, the cost of counselors’ time, and WIA administrative costs.

The results suggest that no one approach is preferable to another. There are no statistically significant differences in net benefits to society between the different approaches, even though the net benefits are highest for approach 2 and lowest for approach 3. There were also no statistically significant differences between the three approaches on most employment outcomes including employment rates, weeks worked, earnings, or occupation. This suggests that greater freedom by customers to choose the type of training and the training provider did not improve the benefits to them of receiving the training. Since all three approaches were available in each of the eight study sites, it was not possible to determine if greater choice among customers resulted in greater competition among providers and greater response to customer needs.

The study did find that the three approaches may affect the use of counseling, participation in ITAs, the type of training and when they receive it. Very few participants requested counseling after orientation if they were not required to receive it. Mandatory counseling under approaches 1 and 2 discouraged the use of ITA-funded training. For those who requested training, counseling delayed the start of training by about two weeks. Yet, counseling broadened the set of training options customers considered, as participants in the third group with the least structure and counseling considered fewer training programs. The results should not be interpreted to suggest that counseling is not important. All participants who were assigned to training, and thus to one of the three approaches, had already received at least five hours of counseling before they were assigned to one of the three treatment groups.\(^\text{19}\) In addition, one could draw the conclusion from these results that the government could save money by dropping the extra counseling, which presumably costs additional resources. However, the study found that approach one costs the government $1,017 more per eligible customer than approach two and approach three costs the government $800 more.

\(^{19}\) Wandner (2010) makes this point.
VI. Conclusion

Individual Training Accounts (ITAs) are the primary method by which training is delivered under WIA. The purpose of ITAs is to maximize customer choice in access to publicly provided training while holding the customer and the providers accountable for employment outcomes. Local workforce investment areas have the discretion to select a method within the range of free choice and informed or guided approach. The approach most preferred by local workforce investment areas is the informed or guided customer choice model in which customers are required to consult with counselors, but counselors have little control over their choice of the type of service they choose and who provides it. Although they have considerable freedom in choosing the training program, the customer receives a fixed ITA award, which limits the resources they can spend on training. Essential in supporting informed decisions is the list of eligible providers, which specifies the providers that can receive ITA funding, and a labor market information system which provides customers with information about job characteristics and projections of the demand for occupations.

The random assignment evaluation of ITAs found little difference in the three options ranging from free choice to restricted choice. While differences in employment outcomes and cost effectiveness differed between combinations of approaches, the differences were not statistically significant. The approach chosen was shown, however, to affect the use of ITAs. Those in which counseling was mandatory used ITAs less frequently, while those who used counseling explored more training options.