Does the Workforce Investment Act (WIA) Work?

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Background

- Friedlander, Greenberg, and Robins (1999) note:

  The broadest generalization about the current knowledge of government training programs for the disadvantaged is that they have produced modest positive effects on employment and earnings for adult men and women that are roughly commensurate with the modest amounts of resources expended on them …Moreover, they have failed to produce positive effects for youth.

Background

- Barnow and Smith (2008) note:

  …most employment and training programs have either no impact or modest positive impacts. Many do not pass careful social cost-benefit tests, though some that fail may be worth doing on equity grounds. Existing evaluations have important analytic limitations that bias them in favor of programs with short-term impacts and large spillover effects on non-participants via displacement or price changes.

Background

- The GAO (1996) says:

  Although our statistical analysis showed some positive effects of JTPA in the years immediately following training, we found no significant effect of JTPA on earnings or employment rates after 5 years.

Table 2
Effects of Voluntary Training Programs on Participant Earnings by Demographic Group

Demographic Group and Program (Num. of Studies)	Mean Annual Effect	Range of Effects (if more than one) (num. negative and stat. sig./num. negative and not stat. sig./num. positive and not stat. sig./num. positive and stat. sig.)
Adult Men		
National		
MDTA (6)	$151	–$2,127 to $2,605 (2/2/2/5)
CETA (9)	–$587	–$3,342 to $1,634 (3/4/3/3)
JTPA (1)	$970	(0/0/0/1)
OJT	$1,275	(0/0/0/1)
CT	$1,032	(0/0/1/0)
Demonstration		
JOBS68 (2)	$344	–$1,274 to $2,013 (0/2/1/1)
SW (1)	$419	$402 to $440 (0/0/2/0)
Adult Women		
National		
MDTA (5)	$1,926	$942 to $3,527 (0/0/1/8)
CETA (9)	$1,797	$28 to $2,815 (0/0/1/13)
JTPA (1)	$960	$771 to $1,103 (0/0/0/2)
OJT	$1,157	$693 to $2,234 (0/0/1/1)
CT	$414	$316 to $498 (0/0/2/0)

Source: Friedlander, Greenberg, and Robins, 1997, JEL 35(4): pp. 1830-1831

Table 2 (cont)
Effects of Voluntary Training Programs on Participant Earnings by Demographic Group

Demographic Group and Program (Num. of Studies)	Net Cost of Training Per Participant (Num. of Studies)	Real Rate of Return If Mean Effect Lasts	
		3 Years	10 Years
Adult Men			
National			
MDTA (6)	$6,053 (1)	<0	<0
CETA (9)	$8,919 (2)	<0	<0
JTPA (1)	$1,065 (1)	74%	91%
OJT	$1,320 (1)	80%	97%
CT	$1,172 (1)	70%	88%
Demonstration			
JOBS68 (2)	n.a.	n.a.	n.a.
SW (1)	$13,425 (1)	<0	<0
Adult Women			
National			
MDTA (5)	$6,053 (1)	<0	29%
CETA (9)	$8,919 (2)	<0	15%
JTPA (1)	$1,500 (1)	41%	64%
OJT	$1,059 (1)	94%	109%
CT	$2,100 (1)	<0	15%

Source: Friedlander, Greenberg, and Robins, 1997, JEL 35(4): pp. 1830-1831

Estimates of Training Impacts for JTPA/WIA Adults, by Study

Study/Outcome	Any service	Training	Training Impact percentage	Percent trained
Study 1 (2003)				93.7
Employment	7.4	7.9	13.7	
Quarterly earnings	$697	$767	13.7	
Study 2 (2005)				54.3
Employment	8.7	4.4	na	
Quarterly earnings	$929	$836	na	
Study 3 (2006)				56.0
Employment	6.6	8.1	15.9	
Quarterly earnings	$504	$709	23.7	
Study 4 (2008)				28.6
Employment	6.5	5.5	9.1	
Quarterly earnings	$565	$782	33.2	
Study 5 (2009)				58.1
Employment	13.7	18.2	28.6	
Quarterly earnings	$463	$692	21.6	

NOTE: Earnings are in 2008 $. All entries, unless denoted with a † are significant at the 0.05 level. na = not available.
Study 1 is Hollenbeck and Huang (2003); Area: WA; Treatment: exit in '97/'98; Follow-up period: 8–11 quarters after exit.
Study 2 is Hollenbeck, Schroeder, King, and Huang (2005); Area: 7 states; Treatment: exit in '00/'02; Follow-up period: 2–7 quarters after exit.
Study 3 is Hollenbeck and Huang (2006); Area: WA; Treatment: exit in '01/'02; Follow-up period: 9–12 quarters after exit.
Study 4 is Heinrich, Mueser, and Troske (2008); Area: 12 states; Treatment: entry in '03/'05; Follow-up period: 11–14 quarters after entry.
Study 5 is Hollenbeck (2009); Area: IN; Treatment: exit in '05/'06; Follow-up period: 7 quarters after exit.

Estimated Impacts of Training Impacts for JTPA/WIA Dislocated Workers, by Study

Study/Outcome	Any service	Training	Training impact percentage	Percent trained
Study 1 (2003)	7.3	6.7	9.8	66.5
Employment	$598	$354	4.0	
Quarterly earnings				
Study 2 (2005)	13.5	5.9	na	57.5
Employment	$1,189	$483	na	
Quarterly earnings				
Study 3 (2006)	6.4	4.2	6.5	61.9
Employment	$855	$391	6.8	
Quarterly earnings				
Study 4 (2008)	6.8	1.4†	2.3†	31.5
Employment	$371	−$36†	−0.1†	
Quarterly earnings				
Study 5 (2009)	16.5	15.9	21.2	49.1
Employment	$310	$394	6.0	
Quarterly earnings				

NOTE: Earnings are in 2008 $. All entries, unless denoted with a † are significant at the 0.05 level. na = not available.

Study 1 is Hollenbeck and Huang (2003); Area: WA; Treatment: exit in '97/'98; Follow-up period: 8–11 quarters after exit.

Study 2 is Hollenbeck, Schroeder, King, and Huang (2005); Area: 7 states; Treatment: exit in '00/'02; Follow-up period: 2–7 quarters after exit.

Study 3 is Hollenbeck and Huang (2006); Area: WA; Treatment: exit in '01/'02; Follow-up period: 9–12 quarters after exit.

Study 4 is Heinrich, Mueser, and Troske (2008); Area: 12 states; Treatment: entry in '03/'05; Follow-up period: 11–14 quarters after entry.

Study 5 is Hollenbeck (2009); Area: IN; Treatment: exit in '05/'06; Follow-up period: 7 quarters after exit.

Methodological Variation by Study

	Study 1	Study 2	Study 3	Study 4	Study 5
Area	WA	7 states	WA	12 states	IN
Program	JTPA	WIA	WIA	WIA	WIA
Treatment/time frame	Exit from program in ‘97/’98	Exit from program in ‘00/’02	Exit from program in ‘01/’02	Enter program in ‘03/’05	Exit program in ‘05/’06
Source of comparison group	ES	ES	ES	ES/UI claimants	ES
Comparison group					
– Adult/DW	Matched ES records	Matched ES records	Matched ES records	Matched ES/UI records	Matched ES records
– Training	Matched ES records	Matched core/ intensive or ES records	Matched ES records	Matched core/ intensive records	Matched ES records
Match technique	Propensity score w/ replacement; caliper	Block matching; weighted multivariate matching; propensity score	Propensity score w/ replacement; caliper	Log-odds of propensity score with replacement; many-to-1 radius	Propensity score w/ replacement; caliper
Follow-up period	8–11 quarters	2–7 quarters	9–12 quarters	11–14 quarters	7 quarters
Estimator					
– Adult	Regression-adjusted difference-in-difference	Weighted combination of techniques	Regression-adjusted difference-in-difference	Linear-adjusted levels	Regression-adjusted levels
– DW	Regression-adjusted levels		Regression-adjusted levels	Linear-adjusted levels	Regression-adjusted levels

NOTE: Study 1 is Hollenbeck and Huang (2003); Study 2 is Hollenbeck, Schroeder, King, and Huang (2005); Study 3 is Hollenbeck and Huang (2006); Study 4 is Heinrich, Mueser, and Troske (2008); Study 5 is Hollenbeck (2009).

Effect of Business Cycle

- Can make theoretical case for both pro-cyclical and counter-cyclical effects
- Strongest empirical evidence suggests counter-cyclical (Lechner & Wunsch)
- Implies that entrants in ’00/’02 time frame will have better results

Estimates of Net Impacts of Training Using Different Treatments

	Matching on exit		Matching on entry	
	Any service	Training	Any service	Training
	Males			
Adults				
Employment (%)	11.9	12.3	12.6	11.6
Earnings ($)	133.1†	297.5	281.5	84.8
Dislocated workers				
Employment (%)	10.9	9.9	13.4	12.1
Earnings ($)	227.9	205.8	456.6	478.0
	Females			
Adults				
Employment (%)	8.4	10.2	12.3	9.4
Earnings ($)	393.7	402.9	375.8	324.9
Dislocated workers				
Employment (%)	8.7	11.1	14.8	10.6
Earnings ($)	140.6	272.9	341.7	255.9

NOTE: † not significant at the 0.05 level. Estimates generated from data from one of the states in Hollenbeck, Schroeder, King, and Huang (2005). Earnings in 2000$.

Effect of Comparison Group

- Are UI applicants a good pool for comparison group?
- Are Core/Intensive participants a good comparison group for training?
- Speculate that these choices attenuate the estimated impacts

Estimators

- Differences in means (levels or differences-in-differences)
- Regression-adjusted
- Preferred specification:
  - WIA Adult: Regression-adjusted differences-in-differences
  - WIA Dislocated Workers: Regression-adjusted levels

Conclusions

- Findings indicate WIA Adult and WIA Dislocated Worker “Any Service” treatment works
- Training “works” for Adults
- Training not as effective/maybe ineffective for Dislocated Workers
- Weak findings:
  - May not be externally valid
  - Mean impacts
  - Even most favorable outcomes for Dislocated Workers may not cover foregone earnings

Comments or questions are welcome.

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