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Public Job Training and Training Vouchers in **Solving the Reemployment Puzzle: From Research to Policy**

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Public Job Training and Training Vouchers

As a result of post–World War II economic and trade policies, the U.S. Department of Labor has operated public job training programs for over five decades. The goal of national job training programs has been to improve the operation of labor markets by enhancing the skills of individuals facing barriers to employment. The programs have been unstable, with changing objectives, different target populations, varying program components, changing administration and operational methods, and fluctuating funding levels.

Early programs reflected concern about the loss of jobs resulting from automation. The Area Redevelopment Act of 1961 provided loans to businesses in depressed regions of the country as well as loans for job training. In 1962, the Manpower Development and Training Act program began and was administered as an intergovernmental partnership with the states. Initially funds were provided for dislocated workers, but after the enactment of the Economic Opportunity Act in 1964, the emphasis shifted to alleviating poverty by providing training to disadvantaged adults and youth. The Comprehensive Employment and Training Act (CETA) was enacted in 1973 under President Nixon. Under the new act the administration and operation of training programs devolved to the states and local entities, consistent with that administration's revenue sharing policy. CETA also provided work experience to unemployed workers in the form of public service employment. In 1982, the Reagan administration shifted course, supporting the enactment of the Job Training Partnership Act (JTPA). JTPA further decentralized training programs to the local level and eliminated public service employment. Program coordination between JTPA's locally administered Private Industry Councils and its partner workforce development agencies—the state-administered Employment Service (ES) and Unemployment Insurance (UI) programs—became even more difficult. Under JTPA, programs for disadvantaged adults and youth were retained, and a dislocated worker program was added, but funding levels for the programs were reduced (LaLonde 1995).

Since the mid-1990s, two major factors have altered the nature of training programs in the United States: 1) the introduction of One-Stop Career Centers, which further linked training programs with the ES and other partner agencies, and 2) the enactment of the Workforce Investment Act (WIA), with its introduction of training vouchers. These developments have taken place in the context of stagnant nominal funding throughout the 1990s and funding declines during the Bush II administration. (See Table 6.1.) These two developments were accompanied by further sharp declines in real funding levels. As a result, both the concept of universal access to workforce services (a concept central to the One-Stops) and the expectation of substantial availability of training services following core and intensive services have proven to be highly unrealistic.

This chapter examines both of these developments, concentrating on research and policy relating to the One-Stop centers and training vouchers. The chapter begins with a brief overview of selected research and evaluation findings regarding training programs, and then summarizes more recent research and evaluations. It then looks at recent training policy relating to the impact of One-Stops and training vouchers and assesses the extent to which policy has followed the lessons learned from research.

Much of this chapter analyzes training vouchers, including the Individual Training Accounts (ITAs) that were implemented under the WIA. Attention is also paid to new research findings from studies completed since WIA's implementation in 2000. Particular emphasis is placed on studies completed between 2001 and 2008 that were withheld by the U.S. Department of Labor and not published until the end of the Bush administration.

COST-EFFECTIVENESS OF U.S. TRAINING PROGRAMS: AN OVERVIEW OF EVALUATION RESULTS

Researchers have found a fundamental problem in the public provision of training by employment and training programs: the training that is provided is not extensive enough to have an economic impact equivalent to education and prolonged training. A comprehensive review of the evidence for government-sponsored training's effectiveness for low-income and dislocated workers in the United States and in other countries concludes that it is unlikely that short-term training programs could significantly increase the skills of the American labor force, even if they were significantly better funded. Government-sponsored training programs fail because they consist of short-term, low-cost training. The authors point out that a 10 percent rate of return on training would be very high. Thus, if training has an average cost of $3,000, the highest increase in annual earnings would be $300. Even such an optimistic outcome will not raise low-wage workers out of poverty or result in much of an improvement in the well-being of dislocated workers. Thus, vastly larger investments would be needed to significantly raise earnings and skills (Heckman, LaLonde, and Smith 1999; Heckman, Roselius, and Smith 1994).

As LaLonde (1995) explains, small public training programs have small effects on earnings: "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," he writes. "There also is evidence that existing services are ineffective for some groups. As a result, training dollars now going to those groups would be better spent by reallocating them toward other groups that benefit from these programs and also toward the development of new and probably more intensive high-cost services that can generate larger post-program earnings gains" (pp. 149–150).

LaLonde points out that the expenditure per participant declined under JTPA—and continued to decline under WIA. Similarly, he notes that while a year of education is associated with approximately an 8 percent increase in an average worker's earnings, the duration of job training is much shorter. As a result, lower effects on employment and earnings should be expected for short-term job training programs as compared to an additional year of schooling.

Surveying the evaluation literature for adults and youth, LaLonde finds that low-cost job search assistance (JSA) training—he considers JSA a form of training—for women can significantly raise their earnings. The result for skill and occupational training is more mixed, with women benefiting from on-the-job training and from classroom training that provides job-specific skills, rather than basic training. On the other hand, training for adult men and youth has far less positive results. For men, the effects on earnings are generally modest or nonexistent, while youth tend to experience no positive effects.

With respect to the services provided to dislocated workers, LaLonde reports three findings: 1) job search assistance is a cost-effective reemployment service, 2) workers who participate in short-run job training get no further benefit compared to JSA, and 3) female participants gain more from these programs than males. He cites his own work to indicate that longer-term rigorous, academic training for dislocated workers at community colleges appears to produce long-term benefits.

LaLonde concludes that, other than job search assistance, less intensive training, including training provided under USDOL programs, does not raise workers' earnings. He sees little reason to continue low-cost job training except for adult women, and recommends the development of new longer-term, more intensive training approaches, using demonstration projects to identify which approaches work. Short-term job training is not likely to have a significant impact on workers' earnings, even if the resources dedicated to training programs were to be significantly increased. Finally, he writes that current knowledge indicates that if training funds are scarce, those funds should be shifted to JSA, as JSA is more cost-effective than low-cost training (LaLonde 1995).

Summarizing what is known about the cost-effectiveness of training for dislocated workers, King (2004) finds that dislocated worker training has not been adequately evaluated. Only two experimental evaluations have been conducted—the Texas Worker Adjustment Demonstration and the New Jersey Experiment. He finds the Texas effects modest (Bloom 1990) and the New Jersey effects negligible. King reviews the Jacobson, LaLonde, and Sullivan (2002) study showing that community college training can have a substantial impact on earnings that can last for several years, but he is concerned by the methodology, which does not even use quasiexperimental methods. He regrets that the department did not complete the evaluation of dislocated worker training that it began toward the end of the JTPA program, and he would like to see a new comprehensive experimental evaluation of job training for dislocated workers.

Examining the industrialized nations, Martin and Grubb (2001) find that the experience of public training programs is mostly bleak:

> Evaluations of public training programmes in OECD countries suggest a mixed track record. Some programmes in Canada, Ireland, Sweden and the United States have yielded low or even negative rates of return for participants when the estimated programme effects on earnings or employment are compared with the cost of achieving these effects . . . However, the picture is not entirely black: some public training programmes work . . . The most consistently positive results were recorded for adult women. The findings were less optimistic with regard to adult men . . . The most dismal picture emerged with respect to out-of-school youths: almost no training programme worked for them. (p. 25)

Thus, the weak training outcomes found in the U.S. evaluations are similar to the experience of other industrial nations.

NET IMPACT EVALUATIONS OF JTPA AND WIA PROGRAMS

The department has been operating training programs under JTPA and WIA for nearly 30 years. It has conducted evaluations and rigorous demonstration projects to look for training programs that work for disadvantaged adults, dislocated workers, and youth. In general, the results have not been positive.

The JTPA Program Evaluation (1996) and the Search for Effective Youth Employment Programs

The department funded an experimental evaluation of JTPA, covering the Adult and Youth programs (Bloom et al. 1997; Orr et al. 1996). The evaluation was based on a sample of 21,000 individuals drawn from participants in 16 JTPA service delivery areas.

The findings for the JTPA Adult Program participants were modest. Adult programs had a small but significantly positive effect on the earnings of men and women, but the effect on earnings as a percentage of prior earnings was twice as great for women as for men—about a 10 percent gain for women and a 5 percent gain for men. The effect of youth programs was insignificant for both males and females. The benefit-cost analysis yielded small positive benefits to society for adult men and women, but negative results for both female and male youth.

The JTPA Evaluation did not cover the JTPA Dislocated Worker Program. The department began work on a separate evaluation of the outcomes of dislocated workers, but these efforts were halted with the enactment of WIA.

Coinciding with the Republican takeover of Congress in 1995, the findings for JTPA youth participants had a devastating short-term impact on the program. The budgetary response to the youth findings of the JTPA Evaluation was immediate. Congress reduced the funding of JTPA Youth Program grants to states from $1.5 billion in FY 1994 to $0.3 billion in FY 1995. (See Table 6.1.) No department training programs had ever experienced such a precipitous decline. While funding of youth programs increased in succeeding years, approximating $1 billion in the late 1990s and the early 2000s, the program never reached the high funding levels of the early 1990s. Starting in the early 2000s, WIA Youth Program funding began to decline with the other components of the WIA program.

The dismal findings for JTPA-served youth resulted in a search for new youth options that might provide more cost-effective results. Two major demonstration projects were launched to test two program models based on local projects that appeared to be successful, in order to see if they could be replicated more widely and thus be models for new national programs. They were the Center for Employment and Training (CET) and Quantum Opportunity Project (QOP) models. Neither of these models, however, proved to be cost-effective.

The CET in San Jose, California, provides training in a worklike setting to out-of-school youth. An early evaluation of youth served by CET found the San Jose program to be highly successful with respect to employment, earnings, and other outcomes. The department attempted to replicate the model at 12 sites, conducting an experimental demonstration between 1995 and 1999, with 1,400 youth assigned to treatment and control groups. The final report followed up on the participants 54 months after random assignment. The evaluation found that replication was difficult and was only successfully completed in 4 of the 12 sites—the 4 sites operated by CET itself. While the structural model could be replicated, the staff could not. CET was found to be a unique organization with highly motivated leadership and staff. The 54-month results showed no earnings gains for the treatment group in the replication sites (Miller et al. 2006).

QOP was another departmental effort to serve disadvantaged youth, operating as a demonstration from 1995 to 2001. It was funded by the USDOL and the Ford Foundation. The demonstration provided after-school services to ninth grade students. Its primary goals were to increase high school graduation rates and enrollment in postsecondary education. Its secondary goals included improving high school course grades, improving achievement test scores, and decreasing risky behavior, including teenage pregnancy, crime, and substance abuse. An evaluation by Schirm, Stuart, and McKie (2006) found that the demonstration did not achieve any of its primary or secondary goals.

In contrast to the Youth Program, the JTPA Adult model survived, and the evaluation had little adverse impact on the funding of the Adult Program. Although the overall evaluation results for the Adult Program were not very positive, the positive impact on adult women helped to maintain support for the program. The JTPA Dislocated Worker Program, which had not been evaluated, was not affected by the release of the JTPA Evaluation. In fact, increasing concern about worker dislocation resulted in the JTPA Dislocated Worker Program being the only JTPA program to experience continued funding growth in the late 1990s.

The JTPA Evaluation caused much consternation among the supporters of youth employment programs. The loss of funding was devastating to youth employment programs at the state and local level in the mid-1990s. While problems were observed in the selection of the participating local sites, the evaluation appeared to be technically adequate and objective in its administration. Nonetheless, the JTPA Evaluation was blamed for the decline in the JTPA Youth Program.[1]

The JTPA Evaluation showed that politicians pay attention to research and evaluation results, especially if the message is strongly negative. The JTPA Evaluation experience made department administrators much more careful about evaluations conducted during the rest of the Clinton administration. Before an evaluation would be approved, questions were asked about what the potential impacts of the evaluations might be. Behind these questions lurked the implicit question of whether a new evaluation might have negative findings similar to those of the JTPA Evaluation.

WIA Evaluations

Evaluations of the WIA programs have followed an uneven, strange, and increasingly political path. While under the Clinton administration the initial evaluations followed a traditional path of making efforts to understand and improve the programs, during the Bush administration the conduct of the evaluations and the dissemination of their findings became increasing political.

With the enactment of WIA in 1998, the department quickly initiated a number of process evaluations to examine the program implementation. They were conducted by Social Policy Research Associates. The early implementation analyses studied how the programs were being adopted in the states and whether they were being implemented in accordance with the legislative intent. Individual studies were produced over several years, and the findings were summarized in a final evaluation report (SPRA 2004).

A number of additional evaluations were conducted for the department. A major eight-state field research evaluation was conducted by the Rockefeller Institute for Government. A net impact evaluation was conducted using administrative data as part of the Administrative Data Research and Evaluation (ADARE) project. Two states funded their own evaluations of federal and state training programs. In 2007, the Office of Management and Budget (OMB) mandated that the department conduct two evaluations of WIA programs: a quasiexperimental evaluation and a random assignment evaluation. Ironically, a Republican-controlled OMB belatedly compelled a resistant Republican-controlled Employment and Training Administration (ETA) to resume evaluation of the WIA program. Two antagonistic opponents on the role of evidence-based policy faced each other, and the OMB prevailed.

Rockefeller implementation study

The Rockefeller Institute for Government conducted an eight-state process evaluation of the WIA program for the department (Barnow and King 2005). Ten researchers conducted field studies in each of the eight states. Under the direction of Richard P. Nathan, all of the researchers used the same field research methodology.

The study was conducted in Florida, Indiana, Maryland, Michigan, Missouri, Oregon, Texas, and Utah. Findings of the report were organized into five major topics: 1) leadership, including the roles of employers and the private sector; 2) system administration and funding; 3) organization and operation of the One-Stop Career Centers; 4) service orientation and service mix; and 5) the use of the market mechanism, including the Eligible Training Provider list, Consumer Reports, performance standards, and training vouchers—i.e., Individual Training Accounts. The study was highly useful, even though the selection of participating states was not based on achieving a representative sample.

Seven-state net impact evaluation

The Hollenbeck et al. (2005) quasiexperimental evaluation examined the net impact of the WIA program in seven states: Florida, Georgia, Illinois, Maryland, Missouri, Texas, and Washington. The longitudinal administrative data for the evaluation came from the ADARE project, which makes available (through data-sharing agreements with state partners) data drawn from UI wage records, state workforce development programs, and other state and federal programs.

WIA participants who received WIA core, intensive, or training services were compared to a group who registered with the ES but did not receive WIA services. The treatment and comparison groups received employment services in either program year 2000 or 2001. Hollenbeck et al. (2005) conclude that "WIA services as currently provided in these states are effective and appear to be doing a good job of addressing WIA's state objectives" (p. v). The impact of receiving any WIA services, compared to the impact for those served by the ES, "increases employment rates by about 10 percentage points and average quarterly earnings by about $800." The impact of receiving WIA training services, compared to workers served by ES or WIA but not receiving training services, was "also positive, but generally smaller in magnitude than for the receipt of any WIA services."

Disaggregating the results, the impacts for WIA dislocated workers were consistently larger than for WIA adults. For both WIA adults and dislocated workers, impacts for women were greater than for men, "a finding largely consistent with the literature on training impacts."

Hollenbeck et al. (2005) completed their evaluation in October 2005, but it was embargoed by the ETA's political leadership, Emily DeRocco and Mason Bishop. Under pressure from the OMB, it was released three years later, in August 2008. Even though DeRocco and Bishop had by then left the USDOL, the Internet release of the evaluation on the department's Web site was accompanied by an unprecedented, disavowing preface called "Summary and Caveats," which sought to impugn the report and its conclusions by opining that the methodology of the researchers "may well have led to erroneous results."

State evaluations

Washingon State Community College study. Jacobson, LaLonde, and Sullivan (2002) studied the impact on dislocated workers of enrolling in community college courses. The study examined the universe of the 121,000 dislocated workers who filed valid claims for unemployment insurance in Washington State in the first half of the 1990s. A group of approximately 25,000 of those workers enrolled in at least one course provided at one of 25 community colleges.

The study identified "high return" classes—those that improved the annual earnings of participants. Participants experienced high economic returns from taking and completing courses that provided more technical academic and vocational skills—including courses in the health and engineering fields—and math and science classes.

The study findings suggest that substantial economic returns to training are concentrated in the high return classes. Thus, the department and state workforce agencies should encourage training program operators to provide job training in these areas, and to provide information to unemployed workers about the types of job training that can best increase their earning power.

State Workforce Investment Act evaluations. A number of states have been interested enough in the effectiveness of their training programs to fund program evaluations conducted by third parties. Two of these evaluations have been conducted by Kevin Hollenbeck. Washington had a third-party evaluation conducted for its employment and training programs; Hollenbeck and Huang (2006) conducted a net impact and benefit-cost evaluation of 11 state and federal workforce development programs operating in Washington State, including the WIA Adult and Dislocated Worker programs. The study used quasiexperimental methods, comparing the participant outcomes to those who registered with the ES but did not participate in the programs. Findings were generally positive, concluding that "the benefit-cost analyses show that virtually all of the programs have discounted future benefits that far exceed the costs for participants, and that society also receives a positive return on investment" (p. iii). Short-term net impact findings were positive for the WIA Adult and Dislocated Worker programs but not for the WIA Youth Program, while the long-term impacts were positive for all three programs. None of the three programs had a positive benefit-cost ratio from the perspective of the government sector, although the WIA Dislocated Worker and Youth programs had positive long-run ratios (pp. 7–9).

Hollenbeck and Huang (2008) also conducted a study of workforce program performance indicators for Virginia. Their performance indicators included gross and net impact indicators, and they recommended that Virginia use net impacts rather than gross impacts. Their net impact indicators flowed from a quasiexperimental evaluation for workers exiting programs between July 2004 and June 2005 using administrative data. For department-funded programs, the study covered the WIA Adult and Youth programs but not the WIA Dislocated Worker Program. The comparison group was workers who participated in the ES.

The net impact results—measured at two quarters after program exit—indicated the WIA Adult Program had a small positive impact of about 5 percent on earnings. These results were small compared to Vocational Rehabilitation programs, which resulted in nearly 20 percent earnings increases. The WIA Youth Program, however, had a small negative, significant impact on employment.

The longer-term net impact, measured at four quarters after program exit, indicated that the WIA Adult Program had a smaller, 3 percent positive impact on employment, while the WIA Youth program impact on employment was not significant.

The positive net impact of each of the WIA programs on quarterly earnings was between $400 and $500 two quarters after program exit. By four quarters after program exit, the positive effects on quarterly earnings had declined to less than $200 for WIA adults and to less than $100 for WIA youth.

How Much Job Training Do Employment and Training Programs Provide?

All department-funded employment and training programs provide more employment services than training services. Training services are limited for many reasons. One reason is the lack of demand from workers because most unemployed workers want to become employed immediately. Many workers do not want, and cannot afford, to wait to receive training before they go back to work. Second, the limited and declining budgets for programs with training components have meant that these programs only can afford to provide limited amounts of training. Training is considerably more expensive than other employment services. Accordingly, local agencies provide training services less frequently than they do employment services.

In addition, job training is frequently provided and funded by agencies other than the USDOL. Department programs fund only a small portion of the training that is provided by federal, state, and local agencies.

In 2003, Domestic Policy Council staff at the Bush White House asked Assistant Secretary DeRocco why ETA-funded training was so expensive. Naively, they were dividing the ETA's entire WIA appropriation by the number of workers receiving job training annually, and they were outraged that short-term training appeared to cost more than $20,000 per trainee. The erroneous assumption made by Domestic Policy Council (DPC) staff was that the ETA programs were solely training programs, and that they provided no other valuable employment and reemployment assistance services.

Since DeRocco could not explain the true cost per training participant, she asked Eric Johnson, the ETA's director of performance measurement, to prepare a response. Johnson knew that only a small percentage of ETA funds were being used to provide training and that WIA core and intensive services absorbed the majority of WIA funds. However, he was unable to respond to the DPC's concern directly, because the ETA cost accounting reports received from the states do not break down expenditures by the type of employment services provided. Johnson came and asked me, as ETA research director, to conduct a study to estimate training expenditures as a percentage of all ETA-funded programs.[2]

The resulting study (Mikelson and Nightingale 2006) estimated the amount and the portion of department employment and training program funds that are expended on job training. While it was widely known that U.S. “training programs” have always encompassed much more than training, the study estimated that in 2002, out of the $6.5 billion appropriated for employment and training programs, only between $1.1 and $1.7 billion (18 to 27 percent) actually was spent on training. Thus, approximately three-quarters (or more) of funding was spent on services other than training. The result is not surprising in a universal-access, One-Stop environment in which the great majority of workers only need core and intensive services. It also is not surprising given the finding that workers go through a complex triage process before they are referred to training. Counseling workers to determine whether core and intensive services will suffice or whether they should be referred to receive scarce training vouchers takes time—it requires several hours of counseling prior to referral to training (Table 7.1).

Not only are most ETA programs thought of as training programs, but among ETA programs the WIA programs are often thought of as “the” training programs of the department. In fact, other ETA-funded

Table 7.1 Estimated Expenditures on Job Training and Number of Trainees in U.S. Department of Labor Programs, 2002

Program/funding source	Low estimate ($000)	High estimate ($000)	Approximate no. of trainees
WIA—Dislocated Worker programs	280,215.0	467,025.0	93,400
WIA—Adult activities	303,237.0	505,395.0	101,000
WIA—Youth activities	47,801.4	159,338.0	63,700
Job Corps	207,100.0	207,100.0	52,800
Trade Adjustment Assistance	79,823.2	79,823.2	40,700
H-1B Technical Skills Grants	12,071.2	19,752.9	29,500
All other labor programs	217,141.7	308,823.9	113,900
Total estimate for labor programs	1,147,389.5	1,747,258.0	495,000

SOURCE: Mikelson and Nightingale (2006), p. 42.

programs (e.g., Trade Adjustment Assistance, or TAA) also provide a great deal of job training services. In 2002, the job training programs funded by the ETA provided training to a half-million workers. Since the WIA programs trained an estimated 258,100 individuals, WIA supplied only about half as much job training as was provided by ETA-funded programs.

While the Labor Department is a major provider of job training resources, other federal agencies provide a great deal of job training too. At the state level, referrals to job training are frequently provided by state agencies. Mikelson and Nightingale (2006) estimated that the USDOL accounts for approximately one-third of the federal expenditures on training made by all civilian federal agencies. The Department of Education provides considerably more job training than the Department of Labor, and a number of other domestic federal agencies also provide a significant amount of training (Table 7.2).

O'Shea and King (2001) examined the issue of who funds public job training services from the state perspective. They looked at the distribution of state expenditures in three states—Tennessee, Texas, and Washington—during the early implementation of the WIA program. They found that WIA core and intensive services frequently "absorb the available training dollars under WIA," so that states are left to fund much of the public job training using state training programs and advis-

Table 7.2 Federal Spending on Job Training, by Department, 2002 (excluding administrative cost; $ millions)

	Low estimate		High estimate	
Department	$	%	$	%
Labor	1,147.0	36.0	1,747.3	33.2
Education—Pell Grants	1,250.0	39.2	1,875.0	35.6
Education—all others	628.8	19.7	1,318.6	25.1
Health & Human Services	93.8	2.9	169.6	3.2
Veterans Affairs	40.4	1.3	121.1	2.3
Housing & Urban Development	26.9	0.1	26.9	0.1
Interior	3.1	< 0.1	5.1	< 0.1
Justice[a]	0.0	0.0	0.0	0.0
Total federal	3,190.0	99.3	5,263.6	99.6

NOTE: Percentages do not sum to 100 because of rounding.

[a] Justice's Serious and Violent Offender Program was not yet in operation.

SOURCE: Mikelson and Nightingale (2006), p. 40.

ing workers to apply for Pell Grants and direct loans, as well as other student loans.

The job training that private firms provide to their workers is subject to widely varying estimates. Mikelson and Nightingale (2006) examined four different surveys of firms and found that they spent about $50 billion per year on training. These expenditures included training costs and salary costs but not the cost of the administration of their training programs.

Estimates also vary about the number of employees who receive private sector–provided training each year. The answer depends on whom you ask. Surveys of firms suggest that approximately 70 percent of their workers receive training. However, surveys of workers yield much lower numbers. Workers employed by firms with more than 100 employees indicated that only 20 to 25 percent of workers received training. Training was also very unevenly distributed among workers; its provision varied principally by education. The study found that workers with more education were much more likely to receive training than workers who are less educated (Mickelson and Nightingale 2006).

Compared to all other sources of job training funding, department-funded job training programs are small. Indeed, other federal agencies provide more job training than the department does. Many of the job training referrals by the One-Stops are made to training funded by state programs and by other federal government agencies. The department also spends a small amount on training compared to the private sector; in fact, it spends 3 percent or less of the annual spending on private sector training. The number of workers receiving department-funded training amounts to considerably less than 5 percent of those who receive private sector training.

TRAINING VOUCHERS AND INDIVIDUAL TRAINING ACCOUNTS

Vouchers in the Provision of Public Services

A voucher is a "subsidy that grants limited purchasing power to an individual to choose among a restricted set of goods and services"

(Steuerle 2000, pp. 4–5). Vouchers are one of the many ways that the government can provide services. Vouchers must compete with other delivery mechanisms: direct government delivery, contracting out of government services, use of competitive public suppliers, or providing loans or cash payments. While vouchers have been widely used elsewhere in government, until the WIA was implemented in 2000 they were relatively untested in the workforce development system. Prior to WIA implementation, the workforce development system did not provide training services; it contracted out training services to both public and private providers. With the implementation of WIA, widespread use of training vouchers was introduced to customers, who can use them to purchase training services from either private or public training providers. The expected effect was not greater privatization of training services but an increase in consumer choice.

A number of characteristics are common to all voucher programs. The purpose of vouchers is to increase the supply of services from which consumers can choose. That is, vouchers are expected to create competition among service providers. Whether this happens or not depends on the initial and long-term number of suppliers or providers (which is heavily affected by population density), on entry conditions in the market, and on the degree of regulation in the market (e.g., in health care).

Vouchers also have an effect on the demand for the good or service in question. In exercising consumer choice, recipients are expected to have enough information to make an educated choice. In a "Free Choice" voucher model, customers choose job finding and training services on their own without the intervention of government officials.[3] But customers may not have the ability to make sound choices: they may lack either competence or resources. Problems might include lack of information as well as lack of interest or motivation. Information may be asymmetric in the sense that customers might have less information than do the service providers. In some cases, the complexity of decision-making may make training vouchers problematic, as when recipients must determine the quality and effectiveness of training providers as well as whether the training will match their own skills and abilities (Barnow 2000). Similarly, recipients might face a complex of choices that suggest the need for "Informed Choice," in which the recipient and the frontline government worker work together, with the government worker providing information to the recipient. Informed Choice has been identified as a concern in connection with the "bundling" of multiple services; it suggests that there might need to be an intermediate position between the freedom of providing cash without restraints and the restriction of providing in-kind services (Lerman and Steuerle 2000).

The above discussion also suggests that the sharing of information between government agencies and recipients might act as a substitute for making information available directly to the recipient. In this regard, frontline government workers can provide two things: 1) an assessment of an individual customer's abilities and skills regarding alternative occupations and 2) their personal knowledge about training providers in the local labor market. These mediated services may act, in part, as a substitute for the customer's direct, self-service use of the informational tools, such as labor market information, information on the track record of the training providers (i.e., WIA Consumer Reports), and the list of training providers who are permitted to receive the training vouchers (i.e., WIA Eligible Training Provider lists).

Vouchers may also increase prices if they increase the demand for a particular service. For example, there is evidence that the student loan program has had the effect of raising the price of higher education, and Section 8 housing vouchers have raised rents in areas of high usage. Furthermore, vouchers may raise prices if suppliers are allowed to discriminate between purchasers who use vouchers and those who do not (Steuerle 2000, pp. 18–19).

Models for Training Vouchers

Once WIA was enacted, the challenge for the workforce development system was to determine the effectiveness of training vouchers, something that has been largely untested in the workforce development context. A review of the use of vouchers for public training programs for disadvantaged and dislocated workers indicates that "there is little evidence that vouchers for these workers are effective and that they are a better alternative than other service delivery mechanisms" (Barnow 2000). Few precedents were found for the training voucher that became part of WIA. However, evaluations of two early voucher-like programs—the Seattle-Denver Income Maintenance Experiments for low-wage workers of the 1970s and the TAA program of the late 1980s—found that neither had positive impacts (Barnow 2000).

Not only was the use of public job training vouchers largely untested, but it was unclear what was meant by a training voucher. A number of different approaches to vouchers have been discussed and tried. Individuals receiving public training could be given more or less freedom to choose. Under past programs, frontline workers could provide more or less information and guidance about how to use these funds. As these precedents were analyzed along a continuum of the degree of freedom, information, and guidance they offered, three models emerged for providing public training vouchers. A number of studies have considered these models in reviews and evaluations of training programs and demonstrations (Table 7.3): early pre-WIA voucher programs; an early voucher demonstration under WIA; and the ITA Experiment, which tested alternative approaches to WIA training vouchers (Barnow and Trutko 1999; D'Amico et al. 2001; D'Amico et al. 2004; Public Policy Associates 1999).

An Informed Choice model represents the middle of the continuum. Although this model was not specified in the development of WIA, it became the operational model that was chosen by the great majority of service delivery areas and local boards both before and after the implementation of WIA. The Informed Choice model, when applied to individuals who, it is determined, are in need of training, 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.
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.

In assisting customers, One-Stop centers provide information, assistance, and guidance with the goal of helping customers make the best choices on their own. One-Stop staff members provide labor market information, conduct assessments to assure that customers have a realistic view of their abilities, and provide information about the training programs and vendors. Frontline staff members play a guiding or facilitating role, but the final choice is the customer's.

In contrast, a Free Choice model gives the training participant maximum choice and may restrict the role of frontline staff. Individuals deemed in need of training are offered training vouchers. They can make use of them, if they wish, with no further guidance from workforce development counselors. They can make use of labor market information, vendor information, and assessment tools available at the One-Stop centers, but they can use the voucher for training in any occupation that is not restricted by law. They also can use the voucher to purchase training from any training provider on the state or local Eligible Training Provider list. This model is most like the policy concept that was considered in the early 1990s prior to enactment of WIA.

Finally, under a Directed Choice model, frontline workers provide labor market information, assessment, and training and vendor information as in the Informed Choice model, but they also play a stronger role. Rather than simply providing technical guidance from their own knowledge, frontline workers use their professional judgment about what program and which training provider to select for a customer. These staff members make use of their knowledge regarding training programs, demand for occupations and wages, customers' skills and abilities, customers' ability to successfully complete the training, and the best choices of training providers in the local labor market. Counselors can guide customers to more cost-effective training choices or restrict choices that are likely to be less cost-effective.

Development of Training Voucher Policy

The introduction of training vouchers—called Individual Training Accounts (ITAs)—under WIA was a sharp departure from past workforce development system approaches. Training vouchers also represented a move into untested waters. Under previous training programs—the Manpower Development and Training Act, Comprehensive Employment and Training Act, and Job Training Partnership Act programs—the USDOL, states, and localities contracted with private training providers to put workers in existing classes. Rejection of this

Table 7.3 Training Vouchers: Proposals, Demonstrations, and Programs

	Ross proposal	Pre-WIA vouchers (Barnow and Trutko 1999)	Career Management Account	ITA/ETP Demo	WIA (D'Amico et al. 2004)	ITA Experiment	PRAs (H.R. 444)	WRAs (H.R. 3976)
Dates	1993	Pre-1999	1995–97	2002	2003–04	2002–04	2003	2005
Type of choice	Free	8 Informed 1 free	Informed	Nearly all informed	Nearly all informed	Free/ informed/ directed	Free	Free
Voucher amt. ($)	1,200	2,000–10,000	2,500–8,500	1,700–10,000	1,200–10,000	3,000 & 8,000[a]	3,000 or less	3,000 or less
Avg. voucher amt. ($)								
modal	—	—	—	—	5,000	3,133	—	—
median	—	—	—	—	5,000	3,116	—	—
mean	—	—	3,292	—	—	4,764	—	—

NOTE: Blank = not applicable; — = not available.

[a] Maximum voucher amount during the demonstration. After the demonstration, the eight demonstration sites had caps ranging from $3,000 to $6,000; the modal value was $3,000, and the median value was either $4,000 or $4,500.

SOURCE: Barnow and Trutko (1999); D'Amico et al. (2004); D'Amico and Salzman (2005); Perez-Johnson et al. (2004); Public Policy Associates (1999); Ross (1993); H.R. 444 for Personal Reemployment Accounts; H.R. 3976 for Worker Recovery Accounts.

model for public training programs came as a result of a public policy movement to incorporate customer choice in the provision of government services. The customer choice approach was expected to make the delivery of government services more effective and efficient by making use of the market mechanism—i.e., to compete with or substitute for the usual way of providing government services. Policy gurus recommended vouchers for use at the local, state, and federal levels, citing successful implementation of voucher programs in a wide variety of contexts (Osborne and Gaebler 1992).

Prior to his election, Bill Clinton was associated with the centrist New Democrats, who adopted this customer choice approach in the early 1990s as a method of providing government goods and services. With respect to workforce development programs, the Progressive Policy Institute, also associated with the New Democrats, advocated a "market-based competitive system" under the emerging One-Stop center system, in which service providers would compete for customers who could make their own choices without being subject to the "control of the government bureaucracy" (Plastrik 1994).

Doug Ross, who became the first assistant secretary for employment and training in the Clinton administration, wrote a chapter in the Progressive Policy Institute's book *Mandate for Change* (Marshall and Schram 1993) that became a policy guidepost to the administration. He advocated a more competitive American workforce system, one that recognized that individual jobs could not be protected but would assure displaced workers a return to work through retraining.[4] Dislocated workers would receive education and retraining through Career Opportunity Cards—vouchers in the form of "smart cards." With the cards, workers could purchase job finding and training services that would "give Americans direct control of the education and career development resources that are the principal new source of economic security." Workers experiencing "a threat . . . to economic security" would be eligible for a smart card with a value of up to $1,200, "the approximate cost of one year of community college training," which could be used at any educational or training institution that provided performance information to state workforce agencies. These agencies would put this information into "*Consumer Reports*–type information regarding . . . completion rates, placement rates and starting wage rates" that would be available to individuals selecting training programs (Ross 1993, p. 67).

Thus, Ross embraced training vouchers as the preferred method of providing training and employment services, combining it with smart card technology. His concept of free choice allowed customers to assess the outcomes of service providers on their own. Ross would not have included a government role in the decision process; he did not propose assigning states and localities the task of assessing the quality of service providers and restricting training provider participation, as was done later through Eligible Training Provider lists under WIA. Ross supported giving workers free choice in selecting the kind of training they received and who provided it (Ross 1993, p. 68). Ross's voucher would have been funded at less than the current cost of most short-term training and did not provide for income support while workers attended a year of community college. Ross set the maximum value of his training vouchers low because the voucher would be made broadly available to all dislocated workers, not just to the small number of workers most in need of training services. Ross's free choice model did not prevail; in WIA, Congress adopted the informed choice model for its training vouchers.

The market model approach to training services was initiated by transforming the infrastructure for workforce development service delivery. Flowing from the Clinton administration's National Performance Review, a policy decision was made in 1993 to create a "system of competitive, One-Stop, career development centers open to all Americans" (Gore 1993, p. 49). This was followed by a One-Stop implementation grant initiative that preceded the enactment of WIA. One-Stop centers would provide universal access to what would become WIA core services. It was thought that training vouchers would eliminate the need to provide targeted training programs through three separate USDOL programs aimed at youth, disadvantaged adults, and dislocated workers. The Clinton administration hoped to create a more open process of funding eligibility and selection that would be facilitated by providing vouchers to all workers (Balducchi and Pasternak 2001).

The One-Stop centers were a budget initiative that began in the first year of the Clinton administration and ran from FY 1994 to FY 2000, during which time grants were awarded to develop One-Stop centers in all states. This initiative commenced under the JTPA, preceding WIA's enactment by five years. Curiously, the first, but unsuccessful, proposal to replace JTPA was the proposed Reemployment Act of 1994, which did not incorporate a provision permitting the use of vouchers (Balducchi, Johnson, and Gritz 1997; Balducchi and Pasternak 2001).

The use of training vouchers as a substitute for training assignment was first proposed by President Clinton as part of a policy proposal called the Middle Class Bill of Rights, after Congress failed to enact the 1994 Reemployment Act. Vouchers were seen as a way to bring the market to bear on job training programs. Rather than having job counselors in local workforce agencies choose who would receive what kind of training from which providers, customers would make their own choices. It was thought that vouchers would empower these customers to make their own decisions, resulting in improved training opportunities through the triumph of a newly created public training market (Balducchi and Pasternak 2001).

Early in the policy discussion, it was assumed that the market mechanism would result in customers making better choices than those made by training counselors. Consumers would demand the best possible training services for themselves. It was expected, however, that consumers would have good information both about which occupations to train for and which training providers to select. Customers would require information on which occupations were in demand and what wages they could expect when they completed training. It was also anticipated that they would glean information on which occupations offered the best long-term career paths and would use the information wisely. These assumptions about training vouchers are embodied in the free choice model. The assumptions, however, were faulty. States found it difficult and expensive to develop and maintain WIA's Consumer Reports and Eligible Training Provider lists, and the department lost interest in funding and supporting the labor market information programs that were the foundation of training vouchers. By the late 2000s, the information infrastructure essential to supporting training vouchers had collapsed.

Training Vouchers before the Workforce Investment Act

Implementation of training voucher programs began on a small scale even before the enactment of WIA. Some individual localities tried vouchers on their own. For example, the Atlanta Regional Commission first used vouchers under JTPA in 1991 to provide training to approximately 13,000 Eastern Airlines workers when the company went bankrupt. Given the size of the dislocation and the limited staff to serve Eastern's workers, the commission could not make use of the JTPA classroom training approach. The experience of the commission was that many of the dislocated workers served by the vouchers made poor training choices: they selected training for occupations that provided low wages or for which there was little likelihood of career development (e.g., cosmetology and bartending). In response to this experience, the commission began to build its own vendor list and monitor vendor performance (D'Amico et al. 2001, pp. II-2, II-3).

Shortly before WIA implementation, the department funded a study of the use of vouchers under JTPA. The researchers found that the voucher system using the informed choice model was in effect in eight of nine sites, while one site used the free choice model. They found that all agencies limited the time that vouchers could be used (generally to two years or less) and that most agencies also limited the dollar amount (to between $2,000 and $10,000) that could be paid for training. While agency payment was not always contingent upon placement of the training participant, it was usually contingent upon training completion. Agencies usually had a screening process to assess which training providers could be approved to provide training, based on training courses offered, costs, and outcomes. They also usually developed a list of approved providers based on past performance (Barnow and Trutko 1999).

As policy interest grew, the USDOL began to look further into vouchers in the mid-1990s. In anticipation of the possible enactment of individual training accounts (ITAs), the department conducted a Career Management Account (CMA) demonstration. This project was carried out from 1995 to 1997 at 13 sites (Public Policy Associates 1999). The demonstration was designed to provide models for a new workforce development program that would provide training using vouchers. The vouchers, however, were only used to provide training services to a sample of dislocated workers at each site. Sites continued to operate their nonvoucher programs while designing and operating a voucher program for between 200 and 1,208 participants per site, at an average of 335 participants per site. Voucher design varied widely between sites and included as recipients those determined to be most in need, unemployment insurance claimants most likely to exhaust their benefits, those nominated by One-Stop center staff, and some other interested dislocated workers. The maximum amount of the grant varied from $2,500 to $8,500. The average cost per participant was $3,292. The CMA demonstration delivery system, however, largely failed to test the efficacy of nondirected customer choice. Sites continued to provide assessment, counseling, and labor market information. Participants were given the freedom to choose how to use their vouchers, but evaluation results indicated that a critical factor in customer satisfaction with the CMA demonstration was the strong role played by CMA case workers and the information provided to customers by frontline case workers to guide their training decisions.

The CMA demonstration sites used an informed choice model, but with widely varying designs and specifications. The process analysis conducted by Public Policy Associates provided a sense of some of the issues involved in implementing an informed choice model. However, the evaluation design did not permit the measurement of net impacts of the demonstration. Thus, the demonstration provides limited insight for making policy choices on the design and use of vouchers.

In response to the CMA demonstration, a number of demonstration sites continued to use the voucher approach after the 1995–1997 demonstration ended. Metro Portland, for example, initiated an Individual Learning Account approach under which customers made regular contributions to an account that could be used to pay for training or education, with contributions matched by employers and social service agencies. The Baltimore Office of Employment Development also continued the voucher approach after CMA ended, making case managers into coaches who helped customers make informed choices, and empowering those case managers to make decisions about customers with special needs (D'Amico et al. 2001, pp. II-2, II-3).

The Career Management Account demonstration provided limited information about how to make the transition from JTPA assignment to training slots. Upon enactment, WIA programs abruptly made the transition to training vouchers.

Vouchers under the Workforce Investment Act

In 1998, when the bill that became WIA emerged from negotiations between the Democratic administration and the Republican-controlled Congress, training vouchers were a key component of the new legislation. The question remained, however, as to whether the training vouchers would follow the free or informed choice model.

Section 134(d)(4)(F) of the WIA provides "consumer choice requirements" and states that "in general . . . training services . . . shall be provided in a manner that maximizes consumer choice in the selection of an eligible provider of such services." For eligible providers, such information must include "a description of the programs through which the providers may offer the training services" and "performance information and performance cost information."

Section 134(d)(4)(G) of the WIA states that "training services . . . shall be provided through the use of individual training accounts . . . and shall be provided to eligible individuals through the one-stop delivery system," with the following exceptions: on-the-job training, customized training, cases where there are insufficient numbers of eligible providers to allow for customer choice, and training services provided to special populations that face multiple barriers to employment.

Congress, however, made clear that it favored an informed choice approach. Both the House and the Senate indicated that although they supported Individual Training Accounts, their support was conditional. Senate Report 105-109 went beyond the language in WIA and said with respect to ITAs that "case management, such as general guidance or recommendations . . . will be provided to varying degrees, based on case-by-case judgment by the manager," while, after consulting an Eligible Training Provider list and Consumer Reports, "the ultimate decision about what field to pursue and which provider to select is the participant's." Similarly, House Report 105-093 observed "that the success of the use of skills grants is contingent upon several supporting elements" and went on to describe the reasons that Eligible Training Provider lists and Consumer Reports are needed.

The department, however, did not take a position on how the new Individual Training Accounts should be administered but delegated decision-making authority to the states and local boards. In the summary and explanations to the WIA regulations—20 CFR 660-671—published on August 11, 2000, in the *Federal Register*, the department stated that "Section 660.410 provides a definition for an ITA that seeks to provide maximum flexibility to State and local program operators in managing ITAs. These regulations do not establish procedures for making payments . . . rather they provide that authority to the State or Local Boards."

Thus, the federal government authorized states and localities to select the nature of Individual Training Accounts along a continuum from free to informed choice. By leaving the decision to the states and localities, the department effectively defaulted to the informed choice model, as that is what the pre-WIA experience suggested would be the states' and localities' choice.

The informed choice model received supportive assistance. Implementation was aided by various tools available to frontline workers and customers. Most important among them were labor market information tools developed in the 1990s that provided useful information, both for the selection of training that would result in good jobs and for the selection of training providers who could help workers get those jobs. The improved and more automated labor market information system—called America's Labor Market Information System (ALMIS)—was specifically developed to support a market-oriented training system under WIA. It was available to help ITA recipients make choices about which high-demand, high-wage occupations to train for in their local labor markets (Woods and Frugoli 2004).

Early Implementation Demonstration of WIA Training Vouchers

Because the training vouchers authorized by WIA had not received much testing prior to WIA enactment, the ETA's dislocated worker office was anxious to jump-start the process.[5] The result was a training voucher demonstration that provided funding for those state and local areas that were willing to be early implementers of training vouchers. These sites would be studied and the lessons learned would be shared with states and local areas that adopted training vouchers more slowly.

In March 2000, the USDOL selected 13 sites (six local workforce investment areas and seven states) to accelerate their participation in the ITA process through an Individual Training Account/Eligible Training Provider (ITA/ETP) Demonstration project. Twelve of these demonstration sites used the Informed Choice model. Only one site predominantly used the Free Choice model.

All sites had dollar caps on the Individual Training Account amounts, varying between $1,700 and $10,000. Given the way WIA performance was to be measured, sites had an interest in having their ITA recipients complete training and find subsequent employment. They maintained contact with ITA recipients during their training and tried to help solve any problems. Although the sites varied in how proactive they were, all sites contacted recipients at least once a month. Among training providers, proprietary schools were the most proactive in helping trainees get through training and in assisting trainees in finding jobs after completion. Community colleges were less proactive, although they too provided counseling and placement services.

The ITA/ETP Demonstration examined the implementation of ITAs in the demonstration sites through early 2002 (D'Amico and Salzman 2005). By that time, WIA programs had developed and matured. Local areas were more comfortable authorizing training, and the number of workers receiving training had increased above the depressed 2000 levels. Nearly all local areas were planning to primarily use ITAs rather than on-the-job, contract, or customized training. The ITA approach used by nearly all areas was the Informed Choice model, since local areas were concerned that individuals authorized to receive training should receive adequate information, guidance, and assistance from frontline staff. States increased the quantity of training they provided after the department informed the states that it was not advocating a work-first philosophy that deemphasized training. More training also could be provided as the costly WIA infrastructure for providing core, intensive, and training services was completed. Eligible Training Provider (ETP) lists were established and expanded. Many states found ways to make it easier for training providers to get on the list, including easing eligibility requirements and collecting most of the required data about training providers from unemployment insurance wage records. These ETP lists provided a substantial range of choices, although the range of choices increased in areas that were more urbanized. A system of WIA Consumer Reports was generally searchable on-line and provided information to support consumer choice, including basic information on training programs.

Implementation of Training Vouchers

A study of WIA implementation in eight states (Barnow and King 2005) found that overall training vouchers was a successful part of the

WIA system. They were popular both with participants and with the local workforce investment boards (WIBs). Participants appreciated the ability to make their own choices about training. Local WIBs found that vouchers worked well as long as they were able to guide participants' choices.

Using the Informed Choice approach, states and localities set maximum dollar amounts of the vouchers, the time within which they had to be used, and guided the participants' choices regarding training types and providers of training. Barnow and King noted that the USDOL also was conducting a training voucher experiment testing alternative types of vouchers. The study suggested that the evaluation of the department's experiment would provide evidence regarding how much guidance local workforce investment boards should provide to training participants.

Barnow and King went on to note that WIA permits exceptions under which training can be provided without using vouchers. They sought to examine how these exceptions were used but found too few cases to draw any conclusions about their efficacy and recommended a special study of these exceptions.[6]

Barnow and King also found a number of problems with the administration of vouchers. First, some states and localities had difficulty establishing the ETP lists reflecting training providers' success in placing training participants. Some state workforce agencies had technical difficulty developing the lists. Some training providers objected to providing the detailed information used to develop the lists. The study suggested that states could develop more efficient methods of developing the lists, and less intrusive methods for providing data from training programs that have few WIA enrollees.

Second, the maximum voucher amount was meant to be a ceiling, but some states found that training providers responded to the maximum by making it the floor for their training voucher charges. Third, the study also found that adults sometimes made inappropriate and overreaching choices in selecting training programs.

The U.S. Department of Labor funded another Workforce Investment Act implementation study, this one of 38 local workforce areas in 21 states between the fall of 1999 and January 2004 (D'Amico et al. 2004). The study found that 10 of the 14 sites visited used ITAs exclusively or nearly so, and that other types of training also were used.

Some rural areas used ITAs little or not at all. Local areas used customized training when they sought to align workforce development with economic development. And local areas used contract training to serve special groups such as the homeless and workers with disabilities.

D'Amico et al. (2004) also found that most local areas placed similar time limits on the use of vouchers—between one and two years. The maximum voucher amount, however, varied widely among 29 local areas—between $1,200 and $10,000. Among these areas both the median voucher and the mode were $5,000.

With respect to the degree of customer choice, the study found that the informed choice approach was used at virtually every site researchers visited. The researchers did find, however, that consumer choice was constrained when one of four conditions was present: 1) the number of training providers was limited, particularly in rural areas; 2) sites were in the process of making the transition to the more stringent standards of WIA subsequent eligibility; 3) dollar caps on training vouchers limited access to certain types of training; and 4) training providers encouraged potentially WIA-eligible workers to seek training at the One-Stops ("reverse referrals").

Exploring Voucher Options: The ITA Experiment

At the time the ITA/ETP Demonstration began, I encouraged the department to learn more about training vouchers and particularly about alternative designs for training vouchers. Since training vouchers were a given under WIA, the key policy question was which voucher design was most effective. The research unit chief, Jon Messenger, and I developed a design for an ITA experiment and presented it to the ETA's career deputy assistant secretary, Ray Uhalde. Before approving the proposal, Uhalde wanted to be sure that the three treatments were different enough that the experiment would likely yield significant results. Interestingly, he also raised the issue of whether the experiment might reflect adversely on the new WIA programs, as the Job Training Partnership Act Evaluation had on the JTPA program. The sensitivity to the program and budgetary impacts of the JTPA Evaluation was still raw four years after the evaluation was published.

The ITA Experiment reflected the WIA program requirement that before customers could be approved to receive WIA training funds they had to meet four qualifications: they must 1) be determined to be "in need of training," 2) have the skills and qualifications to complete the training, 3) have received at least one core and one intensive service, and 4) be unable to obtain funding assistance to pay for training from some other source. To meet each of these requirements, customers had to interact with WIA staff. For example, customers might have to do the following: demonstrate that they had unsuccessfully searched for work or had scored above a cutoff on an administered assessment form; take a basic skills test to determine their skills and qualifications; complete occupational counseling; and receive an intensive service such as a job search or career exploratory workshop, participate in a job club, or have their recent job searches reviewed (Perez-Johnson et al. 2004, pp. 32–35).

Mathematica Policy Research conducted the ITA Experiment for the department, testing three approaches to vouchers: the free choice, informed choice, and directed choice models (Table 7.4).[7] The goal of the experiment was to determine which model was most efficient by looking at participants' employment and earnings outcomes after they completed training and returned to work. The three approaches were tested in eight study sites in Arizona, Connecticut, Florida, Georgia, Illinois, and North Carolina. Approximately 8,000 WIA customers enrolled in the program between December 2001 and February 2004. Truncating the process, Deputy Assistant Secretary Mason Bishop

Table 7.4 The Three Approaches Tested for the Design of the ITA Experiment

	Approach 1, Directed Choice	Approach 2, Informed Choice	Approach 3, Free Choice
Award amount	Customized	Fixed	Fixed
Counseling	Mandatory, most intensive	Mandatory, moderately intensive	Voluntary
Could counselors reject customers' program choice?	Yes	No	No

NOTE: Under the ITA Experiment, directed choice = "structured customer choice"; informed choice = "guided customer choice"; and free choice = "maximum customer choice."

SOURCE: McConnell et al. (2006).

ordered Mathematica to produce an evaluation report before all the participants enrolled in the project had the opportunity to complete their training. As a result, Mathematica's initial "final evaluation report," completed in December 2006, produced no meaningful results. In the Spring of 2007, the Labor Branch of the Office of Management and Budget objected to the premature survey and ordered the department to contract for a second survey and a second final report. The contract was let, and the contractor proceeded with the second survey. A second final evaluation with longer survey follow-up was completed in 2009.[8]

The voucher design for the ITA Experiment was based on three key choices: 1) whether counseling is mandatory or not, 2) the size of the bonus, and 3) the ability of local staff to restrict customers' training choices. The informed choice model looks most like the approach participating sites had used before the experiment. Counseling was mandatory but, although the training provider had to be on the local or state Eligible Training Provider list, local staff did not ultimately restrict customer choice with respect to training type or provider. The maximum voucher amount was fixed for all customers, generally at a maximum of $3,000 at most sites. The free choice model differed from the informed choice model in that counseling—beyond what was provided under intensive services—was not mandatory. The directed choice model differed from the informed choice model in three respects: 1) local staff could restrict training by type and provider; 2) more intensive counseling was mandatory after assignment to WIA-funded training; and 3) the maximum voucher amount was customized for each customer, generally at a maximum of $8,000.

An interim report (Perez-Johnson et al. 2004) found that the free and informed choice approaches had been largely implemented as planned, but that the directed choice model had not. Local office staff found a number of reasons not to make counseling after training assignment mandatory, as was called for in the experimental design. Because they had followed an informed choice approach before the implementation of the experiment, counselors were more comfortable with that approach and believed it worked well. Counselors also were not comfortable with evaluating training appropriateness or cost-effectiveness. At the same time, they were reluctant to leave customers free to pursue training without any guidance, and in some cases did provide some unrequested counseling after assignment to training, but it was neither structured nor intensive.

The results of the study were most noteworthy with respect to the free choice model. Participants in the free choice model received far less counseling. Only 4 percent received counseling after training assignment, compared to 59 and 66 percent of the participants in the informed and directed choice groups, respectively. Free choice participants, however, were more likely to participate in training; 66 percent of them participated, compared to 58 and 59 percent of those in the informed and directed choice groups (Table 7.5). Despite not receiving counseling after assignment to training, free choice participants were no more likely to take training in low-wage jobs such as cosmetology and massage therapy than were participants in the other treatment groups.

ETA political and policy staff discussed the need for counseling as part of the operation of training vouchers during the life of the ITA Experiment. The Personal Reemployment Account (PRA) initiative included some of the features that superficially looked like the free choice model. After being briefed on the interim report of the ITA Experiment, ETA political officials seized upon the free choice model as the justification for the Bush administration's WIA reauthorization proposals of 2003 and 2005. In 2006, the free choice model was again used by the Bush administration—this time to justify the Career Advancement Accounts (CAAs) proposal.

The Bush administration's argument for the Personal Reemployment Accounts and Career Advancement Accounts ignored the fact that the ITA Experiment design provided counseling twice—once before and then once after the assignment to WIA-funded training. The policy justification for the PRAs and the CAAs concentrated on the impact of providing counseling *after* assignment to training, including the early indication that providing additional counseling after the training voucher offer did not increase training effectiveness. What the argument ignored was the fact that all participants who were assigned to training had already received a good deal of counseling—an average of five hours—*before* they were ever assigned to any of the three treatments. Counselors took time to determine who was in need of training and who was not. Since training is an expensive intervention and few training slots are available, counselors had to determine who would be most likely to benefit from training (McConnell et al. 2006, p. xxvi).

In the ITA Experiment, the free choice approach was shown to assure high rates of participation in training without fear that training would be

Table 7.5 Summary of Impacts of the ITA Experiment

	Means			Impacts	
	A1, Directed Choice	A2, Informed Choice	A3, Free Choice	Between A1 and A2	Between A3 and A2
Customers' experience obtaining an ITA					
Attended or was excused from an ITA orientation (%)	69	67	74	2	7***
Received counseling after an orientation (%)	66	59	4	7***	−55***
ITA take-up rate (%)	59	58	66	1	7***
Training outcomes					
In training any time during follow-up period (%)	64	64	66	1	3
In training at time of survey (%)	17	14	14	3**	1
Weeks in training	19	16	18	3***	2**
Employment outcomes					
Employed any time during follow-up period (%)	80	79	81	1	2
Total weeks worked during follow-up	30.8	29.9	29.6	0.9	−0.2
Total earnings in follow-up period ($)	17,032	16,464	15,724	568	−740
Receipt of UI and public assistance					
Received UI benefits (%)	66	66	67	1	2
Amount of UI benefits received ($)	3,412	3,266	3,483	146	217**
Received food stamp benefits (%)	20	19	20	1	1

NOTE: **statistically significant at the 95 percent confidence level for a two-tailed test; *** statistically significant at the 99 percent confidence level for a two-tailed test.

SOURCE: McConnell et al. (2006), p. xxii; 15-month follow-up survey and Study Tracking System, as of July 2004.

in low-demand, low-wage occupations. The 2006 report, however, does not reveal which of the three approaches is most effective, as measured by training completion, employment, earnings, and employment retention. The final report, with its net impact and cost-benefit analyses, was designed to provide useful information relevant to policymakers.

The 2006 ITA Experiment report (McConnell et al. 2006) contained an implementation analysis, a net impact analysis, and a benefit-cost analysis for the demonstration, which were based on outcomes 15 months after individuals were found to be eligible for WIA-funded training. The 2006 report had substantial shortcomings, however, because it cut off data collection too early. At the time of the follow-up interview that was used to assess outcomes, 17 percent of Treatment 1 participants were still in training, while 14 percent of Treatment 2 and 3 participants were still in training. Clearly the results, presented below, will change with a longer-term follow-up of treatment group members.

Furthermore, no control group could be constructed for this demonstration because the use of training vouchers was required for most WIA training participants. As a result, the ITA Experiment net impacts and benefit-cost analysis compared the treatment groups to one another. Because Treatment 2 (informed choice) had been the most used model before the demonstration, it was used as a baseline for comparison to Treatments 1 and 3.

Net impact analysis

Table 7.5 reveals significant differences in the way that customers experienced the receipt of Individual Training Accounts and in their training outcomes, but no significant differences in employment outcomes. Comparing the free choice option to the informed choice outcome, researchers found that customers in the free choice option were significantly more likely to be excused from orientation, significantly less likely to receive counseling after orientation, and significantly more likely to experience increased ITA take-up rates. There was no significant difference in the amount of training they received through the follow-up period or in whether or not they were in training at the end of the follow-up period. However, since substantial numbers of customers were still in training when the follow-up interview was conducted, only limited information was available on the impact of training after training completion. The lack of significant differences in employment outcomes remains true no matter which of the following three ways is used to measure the outcome of customers: 1) by their being employed at any time during the follow-up period, 2) by total weeks worked during the follow-up period, or 3) by total earnings during the follow-up period. Free choice participants received a larger amount of UI benefits, but there was no difference in the percentage of individuals receiving UI or food stamp benefits.

Benefit-cost analysis

The early benefit-cost analysis is not conclusive. The best comparator for the benefit-cost analysis is the benchmark estimates of net benefits. The results when comparing the informed choice (Approach 2) to the directed choice (Approach 1) option reveal that net benefits for society are not statistically different from zero. Net benefits for customers are not significant. The net benefits for the government sector (−$1,423) are negative and significant because the treatment is more costly (McConnell et al. 2006).

Comparing the informed choice (Approach 2) to the free choice (Approach 3) yields statistically insignificant results for society. The net benefits to customers are also insignificant. For the government sector, net benefits are negative and significant (−$816) because the government provides vouchers to a larger proportion of customers and pays out more in UI benefits and other transfer payments (Table 7.6).

With the information available at the time of the 2006 report, the researchers conclude that their "best estimates suggest that switching from Approach 2 to either Approach 1 or 3 would neither be beneficial nor costly to society as a whole." They also note that "Approach 1 costs the government about $1,400 more per customer eligible for training than Approach 2" and that "Approach 3 costs the government about $800 more per customer eligible for training than Approach 2" (McConnell et al. 2006, p. 107).

From a public policy perspective, a key issue for training vouchers is the comparative benefit-costs between informed choice (Approach 2) and free choice (Approach 3). The evaluators found that although the switch from informed choice to free choice resulted in a negative net benefit, the effect was insignificant using the 15-month follow-up survey data. On the other hand, the result was negative and significant

Table 7.6 Summary of ITA Experiment Benefits and Costs

	Approach 1 vs. Approach 2			Approach 3 vs. Approach 2		
	Customers	Government	Society	Customers	Government	Society
Total benefits ($)	920	−218	701	−387	−630**	−1,018
Total costs ($)	−97	1,205***	1,108***	−34	185*	151
Net benefits ($)	1,017	−1,423***	−407	−353	−816***[a]	−1,169

NOTE: * statistically significant at the 90 percent confidence level for a two-tailed test; ** statistically significant at the 95 percent confidence level for a two-tailed test; *** statistically significant at the 99 percent confidence level for a two-tailed test.

[a] Total does not sum correctly because of rounding.

SOURCE: McConnell et al. (2006), p.114.

using administrative data. The evaluation results could be substantially different, however, once the data from the second survey with its much longer follow-up period are incorporated into the study. The final report would be critical to understanding the outcomes of the ITA Experiment.

RESEARCH AND EVALUATION STUDIES INITIATED IN 2007

In June 2007, the OMB intervened in the ETA's research and evaluation effort—something it had never done before. The Republican political leadership of the OMB put pressure on the Republican political leadership of the ETA, insisting that the ETA conduct and release certain research. Indeed, the OMB withheld appropriated ETA research and evaluation funds from the department at the beginning of program year 2007, pending compliance.

The OMB withheld the funds because it wanted the ETA to conduct three employment and training studies. Two of them were evaluations of the WIA program—a long-term "gold standard" experimental evaluation and a short-term quasiexperimental evaluation. The third was the completion of the evaluation of the ITA Experiment after a second-round follow-up survey. With this longer follow-up, the evaluation could take into consideration longer-term outcomes following completion of job training and obtain more accurate net impact results. This would allow the ETA to better assess the relative strengths of the three training voucher models that were tested.

Even after the department agreed to conduct these three projects, the OMB continuously monitored the projects during the quarterly performance budgeting process. By means of this process, the OMB compelled the department to report on its efforts to complete and publish the WIA short-run evaluation and to contract for and begin design of the longer-term experimental WIA evaluation. In November 2007, the department complied with the OMB requirement and reported on its planned 2008 accomplishments in its *2007 Performance and Accountability Report* (USDOL 2007), in which it reported the following: "Rigorous Evaluation of Major Job Training Programs: DOL is contracting [for] an independent study of program effectiveness—using administrative data—to be completed by 2008. Also in 2008, a more rigorous, seven-year evaluation will begin to determine WIA services' impact on employment and earnings outcomes for participants."

The department dutifully initiated the quasiexperimental WIA evaluation in late 2007, which was conducted by IMPAQ International. To meet the OMB deadline, the contractor raced to complete and publish the evaluation by December 2008, attempting to get administrative data from 25 states but ultimately collecting data from only 17. The evaluation used two comparison groups: 1) UI claimants and 2) UI claimants who received services from the ES; the comparison groups were selected using propensity score matching. The state workforce agencies were informed about the evaluation through Training and Employment Notice 22-07, issued on December 21, 2007. The draft final evaluation was completed (but not published) by the end of December 2008, and it was submitted to the OMB before the end of the year, at which time the department stated its intent to complete its review of the evaluation and publish it.

From the OMB's perspective, the quasiexperimental WIA evaluation was a stopgap effort until the department could conduct a random assignment WIA evaluation. In early 2008, the department developed a statement of work for the experimental evaluation. Following a competitive procurement, the contract was awarded to Mathematica Policy Research in June 2008. Mathematica also developed an evaluation plan and design to conduct the project in 30 randomly selected localities around the United States.

The third OMB project was the completion of the Individual Training Account Experiment evaluation. The OMB learned that the follow-up survey for the ITA experimental demonstration project had been conducted too early, at Bishop's direction. The department thus was forced to conduct a second follow-up survey and prepare a final evaluation report by 2009.

TRAINING PROGRAMS AND TRAINING PUBLIC POLICY

JTPA operated from 1982 through June 2000. The Clinton administration tried to replace JTPA with the failed Reemployment Act of

1994 (H.R. 4040) and the later failed CAREERS Act of 1995–1996 (H.R. 1617). In 1998, the Clinton administration and the Republican-controlled Congress reached a compromise and enacted WIA. WIA operated under its authorizing legislation until September 2003, when the statute expired, and it thereafter was extended through temporary continuing appropriations. Attempts to replace WIA persisted throughout the Bush administration, as the administration proposed WIA reauthorization with each new Congress in 2003, 2005, and 2007. In each case, the separate WIA component programs were to be consolidated with the ES, but there were also significant differences among the bills, and these differences mostly reflected overall policy initiatives of the Bush administration. None of these efforts succeeded, and the task of replacing WIA awaited President Obama and the 111th Congress.

The 2003 Proposals

Workforce Investment Act reauthorization

House consolidation bill. The Bush administration unveiled its first WIA reauthorization proposal on March 6, 2003. The House bill, H.R. 1261, was introduced on March 13, 2003, and closely reflected the administration proposal. The bill, sponsored by Rep. Howard P. McKeon (R-CA), passed quickly in the House on May 8 as the Workforce Reinvestment and Adult Education Act of 2003, with voting along party lines—220 to 204.

The bill would have consolidated several formula-funded adult programs—the WIA Adult and Dislocated Worker programs, the Employment Service, and Reemployment Services Grants. These programs would have been combined into one formula program to create a revised Adult Program. Ten percent of the funds appropriated for the new Adult Program would have been reserved by the secretary of labor for dislocated worker grants (currently called National Emergency Grants), demonstration projects, and technical assistance. Youth programs would have remained a separate funding stream.

ITAs would have remained the primary method of providing training funds to individuals in the Adult Program. These funds could only be paid to Eligible Training Providers, as determined by the One-Stop operators. The sequencing of core, intensive and training services would have been eliminated in some cases. Up to 10 percent of adult funding could have been used for incumbent worker training (Lordeman 2003).

The WIA reauthorization bill included Personal Reemployment Accounts (PRAs) in section 113. PRAs were also proposed in the Back to Work Act (H.R. 444), which also failed to be enacted.

Senate bill. The Senate bill, S. 1627, was introduced by Senators Michael Enzi (R-WY), Edward Kennedy (D-MA), Judd Gregg (R-NH), and Patty Murray (D-WA) on September 17, 2003. The bill retained the current structure of WIA and Wagner-Peyser Act programs. It included no consolidation or block granting provisions. The Senate bill had bipartisan support and reflected widespread state support for the current system, including by the governors of both parties. It passed the Senate. With diametrically opposed bills, the House and Senate were not able to reconcile the bills, and they died. The department had supported the House bill, had opposed the Senate bill, and was unwilling to support a compromise between the two. The Senate was strongly opposed to the department's proposal, so WIA reauthorization went nowhere.

Personal Reemployment Accounts

H.R. 444, the Back to Work Act, was introduced by Jon C. Porter (R-NV) on January 29, 2003, as a separate bill from H.R. 1261, the WIA reauthorization bill. Porter introduced President Bush's proposal to provide PRAs—"Back to Work Accounts" —in the amount of $3,000 to UI beneficiaries who were found to be likely to exhaust their UI benefits using WPRS's profiling mechanism and who were eligible for at least 20 weeks of UI benefits. The accounts could be used for a broad number of purposes: job training, child care, transportation, relocation services, housing assistance, career counseling, and other expenses to help in finding a job. If the eligible workers found employment within 13 weeks of becoming unemployed, they could retain the unspent portion of the PRA as a reemployment bonus. (See Chapter 10 for further discussion of reemployment bonuses.) It was introduced as a small part of the president's larger economic stimulus package; H.R. 444 authorized $3.6 billion to establish PRAs, which would serve at least 1.2 million unemployed workers. Individuals could only be eligible to receive a PRA once, and they would have to work with One-Stop staff, who would inform them of the limitations on the use of the funds, work with them to develop a personal reemployment plan, and approve the drawing down of the PRA funds.

The PRAs would be available only to dislocated workers who were eligible for UI and were likely to exhaust their UI benefits. They would not be available to workers who had quit their previous jobs, who were new entrants or reentrants to the labor force, or who had lost their previous jobs but did not have a history of strong labor force attachment. They also would not be available to workers who qualified to receive UI benefits but who were not likely to exhaust their UI benefits as determined by the worker profiling mechanism. Thus, PRAs would not be available to many workers who would be eligible to participate in the WIA Adult or Youth programs.

The 2005 Proposals

In 2005, the Bush administration again supported WIA reauthorization, this time in the 109th Congress, based on a proposal to consolidate adult programs. The administration's bill was introduced in the House as H.R. 27 and was enacted on March 7. It was similar to H.R. 1261 from the previous Congress.

The House bill would have retained a separate WIA Youth Program but would have consolidated the WIA Adult and Dislocated Worker programs and the Employment Service, as well as Reemployment Services Grants. Ten percent of the funds for adult workers would have been retained by the secretary of labor for dislocated worker grants, demonstration projects, and technical assistance. National programs, such as the Job Corps and programs for migrant and seasonal farm workers, Native Americans, and veterans would have been retained. The bill would have modified the sequencing of core, intensive, and training services in some cases. It still would have provided training, primarily through ITAs.

Along with the consolidation of the adult programs, the other major controversy regarding the House bill was that it would have allowed religious organizations to operate job training programs and to take applicants' religious beliefs into consideration when hiring workers to provide these job training services.

The first Senate bill, S. 9, introduced by Senator Enzi, was nearly identical to the one passed in 2003, S. 1627. A new bill, S. 1021, was introduced by Senators Enzi and Kennedy on May 12, 2005. It was based on S. 9. The Senate incorporated S. 1021, as amended, into H.R. 27 and passed its version of H.R. 27 on June 29, 2006.

The Senate bill would not have consolidated the adult programs, continuing separate programs for WIA Adult and Dislocated Worker programs, the ES, and Reemployment Service Grants. Like the House bill, it would have modified the sequencing of services and retained ITAs, although it would have renamed them Career Scholarship Accounts. The Senate bill, however, did not contain the provision that would have allowed religious organizations to consider religion in hiring workers to provide job training services for department-funded programs.

The House and Senate took no further action after passing their separate versions of H.R. 27. Once again, they could not reconcile the differences between their bills, and the legislation died (Lordeman 2005; Naughton and Lordeman 2007). Once again, the department supported the House bill and was unwilling to compromise to come to agreement with the Senate.

The American Competitiveness Initiative and Career Advancement Accounts

Midway through the 109th Congress, the Bush administration changed course on workforce programs. In his 2006 State of the Union message, President Bush announced his American Competitiveness Initiative (ACI). Its purpose was to strengthen the U.S. economy in its ability to compete with other nations. It planned to commit $5.9 billion in FY 2007 and more than $136 billion over 10 years to invest in research and development, strengthen education and training, and encourage entrepreneurship and innovation. Training was one of six new initiatives. The workforce development system was expected to provide "job training that affords more workers and manufacturers the opportunity to improve their skills and better compete in the 21st century" (State of the Union Letter 2006). More specifically, Bush proposed in his initiative to "provide more flexible training to workers" by offering "training opportunities to some 800,000 workers annually, more than tripling the number trained under the current system" (State of the Union Press Release 2006).

Because it had no funding to back it up, the ACI served a political agenda. The workforce initiative was to be funded by taking existing WIA funds, leaving little to maintain the current system, and thus starving the existing public workforce development system. The training component of the American Competitiveness Initiative was called Career Advancement Accounts (CAAs). CAAs were a recycled form of training voucher that differed from past vouchers in that there would be no assessment or counseling whatsoever before awarding the vouchers. The CAA vouchers would consume 75 percent of the consolidated WIA-ES funds. Only an additional 3 percent of total funding would be available for administration. If ACI were enacted, state workforce agencies would be encouraged to take Internet applications, assess the applications without collecting further information, and then allocate funds and issue voucher awards. Thus, 78 percent of the current workforce development system funding would be taken for CAAs, and the state workforce development system would have to survive on the remaining 22 percent of its previous funding level, which would have proven catastrophic for the system. Fortunately for the workforce development system, ACI was not enacted.

December 20, 2006, Regulatory Initiative

On December 20, 2006, the department published a Notice of Proposed Rule Making in the *Federal Register*, which tried to alter WIA and Wagner-Peyser Act programs, but the department was prevented from doing so by the new Democratic-controlled Congress. The department initiated the rule-making after the Republican-controlled 109th Congress had failed to reauthorize the WIA and after the Republicans lost control of both houses of Congress in the November 2006 election. (See Chapter 6.) It was clear that the Bush administration had not been able to enact the type of WIA reauthorization bill it wanted in the 109th Congress.

The 110th Congress

If a Republican-controlled Congress had rejected the Bush administration's WIA reauthorization proposals in 2003 and 2005, a Democratic-controlled Congress certainly was not going to accept its 2007 proposal. In April 2007, Secretary Chao sent a department bill directly to Congress without White House review, once again recommending consolidation of job training and employment service programs and making CAAs the heart of her proposal. The Chao proposal went nowhere. No hearings were held on the proposal, either in the House of Representatives or in the Senate.

After a considerable delay, on October 4, 2007, Rep. McKeon introduced H.R. 3747, the Workforce Investment Improvement Act of 2007. It again proposed to consolidate WIA Adult and Dislocated Worker programs with the ES and repeal the Wagner-Peyser Act. Controversially, it would again allow religious organizations providing workforce development services to hire workers exclusively from members of their own religious faith. On October 23, the bill was referred to the Subcommittee on Workforce Protections. No further action was taken on the bill. Thus, over a six-year period, under both Republican and Democratic Congresses, the Bush administration's approach to reauthorizing WIA had proven to be a political failure. Congress and stakeholders had rejected every attempt to consolidate, block-grant, or cash out the public workforce system.

RELATIONSHIP OF WIA REAUTHORIZATION PROPOSALS TO RESEARCH FINDINGS

Bush administration training proposals were based on a misrepresentation of the research findings. The Bush administration sought to justify CAAs based on the results of the ITA Experiment by misrepresenting its findings. Findings from the ITA Experiment were presented to departmental career and political staff (Perez-Johnson et al. 2004; McConnell et al. 2006). These results were used to justify the CAAs because the free choice model had resulted in more training than the other two models, and the report had not indicated that the benefit-cost results were any worse. These findings were interpreted as justification for not providing assessment and counseling before giving out training vouchers.

But the interpretation of the free choice model findings was erroneous: the evaluation found that unemployed workers received a significant amount of counseling and assessment (an average of five hours) before they were offered a training voucher. After they were offered a voucher, they were more likely to start training, if they were not required to receive further counseling (McConnell et al. 2006, p. 26). Thus, the report revealed that workers may have made similar training choices after they received the training voucher, whether they received additional counseling or not.

The Bush administration made several claims in marketing its new proposals and in criticizing components of the existing public workforce system. However, the evidence did not support these seven claims:

Claim 1: Most of the cost of One-Stops is from wasteful and excess administrative overhead. The declining budget for running the One-Stops resulted in state and local workforce agencies doing the only thing they could do to deal with more customers while employing fewer staff: they substituted automated self-service for staff-assisted core and intensive services. The conversion of the public workforce system between the mid-1990s and the present to self-service tools does not represent excessive administrative overhead; it represents a substitution of capital for labor at a time of declining nominal resources and huge losses of frontline staff.

Claim 2: The Employment Service programs are duplicative of the Workforce Investment Act programs and should be eliminated. In fact, the ES and WIA programs are complementary. The ES provides WIA-type core and intensive services in most states and localities, while the WIA provides intensive and training services (Barnow and King 2005).

Claim 3: Only training is a worthwhile service. This claim ignores the extensive research literature on the effectiveness of the One-Stops and the ES in providing referrals to job openings, providing job search assistance, and administering the UI work test (O'Leary 2006).

Claim 4: A Free Choice training voucher model can be implemented without providing any counseling services. The Free Choice model contained in the Bush administration's CAA proposals was a misrepresentation of the Free Choice model tested in the ITA Experiment. In that experiment, individuals were not required to engage in additional counseling after they were offered a training voucher, but they received an average of five hours of counseling before they were offered a training voucher (McConnell et al. 2006, p. xxvi).

Claim 5: Short-term training is the answer. The WIA reauthorization proposals of the Bush administration would have provided vouchers that were likely to have been used largely for short-term training. Short-term training has been found to be less effective than long-term training or education (Heckman, LaLonde, and Smith 1999; LaLonde 1995).

Claim 6: Targeting is not necessary. The Bush administration's training proposal did not target based on need or likely success of training. Career Advancement Accounts, for example, would have been awarded based on limited information received from Internet applications. Demand for training funds would have greatly exceeded fund availability. Each year's funding would have soon been exhausted. Fund disbursement most likely would have been conducted on a first come, first served basis. CAAs would have ignored the fact that training as currently constituted is more cost-effective for some groups than for others (Barnow and King 2005; King 2004; LaLonde 1995).

Claim 7: The type of training provided does not matter. The Bush administration would not have provided any guidance about what kind of training to take. Training voucher recipients could have chosen high-return or low-return training programs. However, research shows that training targeted to fields such as math, science, and health services is most cost-effective. Such targeting is needed to have training succeed (Jacobson, LaLonde, and Sullivan 2002).

CONCLUSIONS

- Job search assistance appears to be more cost-effective than training, and, if WIA resources cannot be expanded significantly, existing resources should be transferred from training to job search assistance (LaLonde 1995).

- The conversion of local workforce offices to One-Stop Career Centers with universal access for all workers and the requirement and encouragement of having partners locate in these centers has put enormous demands and strains on these local offices. The One-Stop initiative was expected to have been accompanied by a substantial increase in the funding for employment and training programs. In the absence of funding increases, the state workforce agencies cut costs to serve the large flow of participants. The result has been heavy investment in automated resource rooms and the provision of self-service tools, while training is infrequently provided to participants and tends to be low-cost and of short duration.
- The Clinton administration briefly increased funding to accompany the One-Stop initiative and the proposed Reemployment Act of 1994. When the Democrats lost control of Congress in 1994, funding increases ended. Funding levels for WIA and ES programs were stable in nominal terms in the second half of the 1990s but then declined between 2001 and 2008.
- The decision to make job training vouchers a key component of the WIA training system was made based on little experience under the prior employment and training programs and without much evaluation (Barnow 2000). Training vouchers were implemented as part of the WIA program more because of ideology than evidence. It is not clear that training vouchers under WIA have been successful. On the other hand, ITAs using the Informed Choice model look very much like the training system that was used during the JTPA years, and thus ITAs do not represent a substantial change from the past.
- Effective job training should not be offered to workers without providing considerable staff-assisted employment services. Workers need guidance in whether to take training, what kind of training to take, and where to take the training. In the ITA Experiment, the procedures of the participating sites met this criterion. Counselors provided an average of five hours of counseling before training vouchers were offered to workers (McConnell et al. 2006).

- The Career Advancement Account proposal was fundamentally flawed. It would have offered training vouchers to workers over the Internet with no counseling. No research evidence exists that supports providing training vouchers without career counseling. The Bush administration would have used CAAs to slash the funding of One-Stop centers while creating an ineffective block grant program. As justification for the CAA initiative, advocates pointed to positive aspects of the Free Choice offer in the ITA Experiment that provided little or no counseling *after* the voucher was offered. The Bush administration's explanation of the Free Choice model, however, ignored the need for counseling *before* participants received the training voucher offer (McConnell et al. 2006).
- The department should pursue new program models for out-of-school youth and conduct a series of demonstration projects to test their effectiveness. Among the interventions that should be explored is a program of employment bonuses paid to out-of-school youth who remain employed for one year. Employment bonuses were successful when tested as part of the Youth Offender Grants in St. Paul, Minnesota, and West Palm Beach, Florida, but they were not tested rigorously using experimental methods (Jenks, MacGillivray, and Needels 2006).
- Policymakers should have more realistic expectations about the provision of training. Given the historic limitations on public funding for job training, it does not appear that both universal access to One-Stops and adequate funding for skill and occupational training can be achieved solely under WIA. Greater financial support is needed if long-term training is to be provided. Greater funding needs to be made available, either through a reauthorized WIA program or through another agency such as the Department of Education, with considerable training authority given to community colleges.
- Long-term training cannot be provided to experienced workers without also providing support services. The key to increased participation is income support throughout the period of participation in training. It may be valuable for policymakers to review the 10-year experience of MDTA, where 1.1 million

disadvantaged and nondisadvantaged individuals completed training (Mangum 1973, p. 42), receiving a stipend in the form of UI-type weekly allowances.

Notes

1. I attended a small meeting of workforce researchers and practitioners at Johns Hopkins University several years after the publication of the JTPA Evaluation. During the meeting, an ardent supporter of youth programs accused Larry Orr, one of the principal authors of the evaluation, saying, “You killed the Youth Program!” Orr replied, “I prefer to think that I saved the Adult Program.”
2. Eric Johnson, in a conversation with the author, 2003.
3. In this chapter the terms “free choice” and “informed choice” have been used in the discussion of vouchers in accordance with the workforce development literature. In the volume *Vouchers and the Provision of Public Services* (Steuerle et al. 2000), the terms “individual choice” and “structured choice” are used.
4. This approach sounds a lot like the concept of “Flexicurity,” first advocated in Western Europe at about the same time. The difference is that when flexible labor market policy was implemented first in Denmark and later in other European countries, the policy was accompanied by much larger investments in employment and training programs—collectively called Active Labor Market Policy (ALMP)—than were provided in the United States.
5. Doug Holl of the WIA Dislocated Office wanted to conduct the ITA/ETA Demonstration, while I wanted to conduct the ITA Experiment. The result was an agreement on our parts to conduct both.
6. In program year 2003, the WIASRD report found that training without ITAs occurred in a substantial minority of cases. For the WIA Adult program, ITAs represent 55.0 percent of all training services, with Pell Grant recipients at 9.9 percent and non-ITA, non–Pell Grant recipients at 35.1 percent. For WIA dislocated workers, ITAs represented 65.9 percent; Pell Grants 4.8 percent; and non-ITA, non–Pell Grants 29.3 percent.
7. The names of the three options in the ITA Experiment are: 1) Maximum Customer Choice, 2) Guided Customer Choice, and 3) Structured Customer Choice, and they correspond to Free, Informed, and Directed Choice, respectively.
8. The results of this second evaluation are not yet known.