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4-1-2005

## Reconsidering Job Training and the Workforce Investment Act

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### Citation

O'Leary, Christopher J., Robert A. Straits, and Stephen A. Wandner. 2005. "Reconsidering Job Training and the Workforce Investment Act." *Employment Research* 12(2): 1–4. [https://doi.org/10.17848/1075-8445.12\(2\)-1](https://doi.org/10.17848/1075-8445.12(2)-1)

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APRIL 2005

*Christopher J. O'Leary, Robert A. Straits, and Stephen A. Wandner*  
Reconsidering Job Training and the Workforce Investment Act

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New and Recent Books

Staff Working Papers

Vol. 12, No. 2

*Employment Research* is published quarterly by the W.E. Upjohn Institute for Employment Research. Issues appear in January, April, July, and October.

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## Reconsidering Job Training and the Workforce Investment Act

Federally funded job training in the United States has been administered under the Workforce Investment Act (WIA) since July 2000. The original WIA provisions expired in 2004, and deliberations over reauthorization in the previous Congress produced only a temporary extension. The 109th Congress is considering new proposals for WIA reform. A new book published by the W.E. Upjohn Institute for Employment Research, *Job Training Policy in the*

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*United States*, provides background for the current legislative debate.

The book discusses the history of federally funded job training policy since the 1960s, the evidence on job training effectiveness, the systems used to monitor performance of program management, institutional arrangements for job training under WIA, investments in job training by private U.S. employers, public job training efforts in other countries, and the prospects for innovation in federal job training policy.

Under WIA, employment services are divided into three tiers: core, intensive, and training services. Universal access is available to all job seekers wanting core services. Core services are limited to self-service and other services requiring minimal staff time—job interview referrals, labor market information, and some job search assistance services. A smaller number of workers get access to intensive services that include counseling, testing, assessment, and may include job search workshops or job clubs. Only a small number of workers are referred on to job skill or occupational training.

In fiscal year 2001, federally funded training expenditures totaled nearly \$6.4 billion, of which about two-thirds was provided by WIA, with the remainder contributed by a variety of other federal agencies. In the same time period, state-funded job training totaled about \$600 million, while privately financed job training dwarfed all public efforts and totaled over \$60 billion. Federally funded job training accounts for less than one-tenth of the total annual job training investment in the United States, and WIA provides only a portion of the federally financed total.

According to reports by state workforce agencies sent to the U.S. Department of Labor, in program year

2001, WIA provided training to 425,000 U.S. workers, with 241,000 participants subsequently entering employment. By contrast, programs funded under the Wagner-Peyser Act served about 19 million U.S. workers who registered for labor exchange services with state workforce agencies. Twelve million of these registrants received staff-assisted core and intensive services in the one-stop centers around the country.

This book reviews the major issues in WIA-financed public training programs. It provides background and history for these programs. Their effectiveness and efficiency are judged by past impact evaluations of WIA and its predecessor programs and by performance measurement systems. Key aspects of programs are examined, including the newly implemented individual training accounts (vouchers) and eligible training

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provider lists, as well as the continuing use of private and public training service providers.

To support effective public management of federally funded job training programs, performance management systems have been in place for more than 20 years. Burt Barnow and Jeffrey Smith review the genesis of performance management under the Job Training Partnership Act (JTPA), examine current practices under WIA, and offer suggestions for improvement. They recognize and discuss the risk of adverse incentives for program administrators to “cream skim” applicants in an effort to achieve high measured program success. They also contrast the timeliness and relevance of performance reports under JTPA based on sample surveys of participants to the lag in evidence available under WIA from the census of participants provided from quarterly wage record administrative

data. Performance data under WIA are not available in time for use in the annual program planning cycle. Observing a zero correlation between outcomes measured by performance reports and program net impact estimates, Barnow and Smith question the usefulness of performance measurement based on gross outcomes and offer novel improvements that could yield a more reliable system for guiding program management and planning.

Job training effectiveness and efficiency has been evaluated throughout the 40-year history of U.S. programs. Based on his recent comprehensive book on the subject (Barnow and King 2000), Christopher King provides a summary of what is known about job training effectiveness. King reports that job training effectiveness varies widely with respect to different demographic groups of participants.

Job training policy of the federal government has been aimed at promoting labor market success for economically disadvantaged adults and youth, and helping experienced workers displaced by structural change to regain employment in areas of rising labor demand. King provides an overview of evaluation studies investigating the effectiveness of job training for these groups. Among economically disadvantaged participants, job training is estimated to raise the earnings of women, have small positive effects on the earnings of men, but yield negligible impacts on earnings of youths. The earnings gains for adult women increase in both the short and long run, but the gains are not large enough to lift participants out of poverty. Impacts for men are positive but not as large as those for women. No significant effects are found on either female or male youth. However, evidence from evaluations of the federal Job Corps training program for disadvantaged youth suggest that intensive residential interventions can yield significant long-term earnings gains.

Among disadvantaged adults examined as part of the national field experiment evaluating JTPA training with random assignment, the pattern of effectiveness was similar to that for other studies of job training for

the disadvantaged. Adult women had sizeable earnings gains (up 5 percent) over seven years, while adult men had modest earnings gains (up 1 percent but insignificant) over seven years. This same general pattern of results across sexes was found for different types and durations of training, with the biggest gains observed for on-the-job training (OJT) combined with job search assistance (JSA).

Regarding the effectiveness of alternative training types, there is no evidence that more costly and intensive

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training interventions yield greater earnings gains. There is limited evidence suggesting that earnings gains produced by training tend to persist over the long term. Lower-cost interventions like short-term unpaid OJT and JSA have positive impacts and positive net benefits. Supported work combined with skill training produced larger and more durable impacts. OJT combined with JSA had larger impacts than classroom training. Community colleges deliver a sizeable proportion of publicly funded classroom training, and there is evidence that community college training in math and science yields the greatest earnings gains.

The only random trial field experiments evaluating job training for dislocated workers were conducted in Texas and New Jersey in the 1980s. The Texas evaluation examined JSA and JSA with training. Earnings impacts for women were substantial and lasting over time; impacts for men were positive but modest and short lived. However, adding training to JSA did not increase earnings impacts. The New Jersey reemployment experiment tested JSA, JSA plus training, and JSA plus a cash bonus targeted to dislocated workers. All three treatments

had positive impacts, but only JSA alone was cost-effective. A long-term follow-up of the New Jersey experiment found that the positive employment and earnings impacts of interventions gradually diminished within six years.

Under the original WIA administrative rules, job training was a service of last resort. The emphasis was on work first. Referrals to training, or issuance of training vouchers and ITAs, only occurred after core and intensive services had been demonstrated inadequate to gain reemployment. Participants found their way to training after a series of failures. The work-first emphasis of WIA was intended to achieve near-term labor market impacts at low cost. U.S. Department of Labor administrative interpretation of the WIA work-first emphasis has been relaxed in recent years to permit greater local discretion in job training referrals. It is not universally true that any job is a good job, but evaluation studies have found that combining work

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experience with job training tends to produce better labor market success.

*Job Training Policy in the United States* also examines the administrative challenges associated with early WIA operations. Ronald D'Amico and Jeffrey Salzman review the focus of WIA training and the extent to which the new arrangements are successful. They look at a wide number of implementation issues, including 1) who has access to training, based on eligibility criteria for training and the guidance of customers to training; 2) who provides training; 3) limits on training choice caused by caps on the dollar limits of training, as well as by time limits; 4) individual training accounts (ITAs)—how they are administered and who are eligible training providers; and 5) the extent of use of ITAs, as well as variations between workforce areas in the use of ITAs.

## 2005 Grant Program Notice and Dissertation Award Deadline

This year's grant program has two new features. First, we have added a Priority Research Topic: the effects of health care costs on labor demand. Second, there are two competitive review rounds for the 2005 grant program. Other research topics are also accepted. The deadline to apply for research grants under the second funding cycle is August 2, 2005.

The deadline for the 2005 Dissertation Award is Friday, July 1, 2005.

With job training under WIA provided by a broad array of public and private enterprises, there are big differences in training providers about which little is known. Janet Javar and Stephen Wandner examine the community of eligible job training service providers. The great majority of job training slots are provided by public two-year technical and community colleges, but the largest number of job training providers are private profit-making enterprises. Within categories of providers there tend to be similarities in the client types. Nonprofits and community-based organizations usually focus on providing training services to youth and disadvantaged adults, while for-profit training enterprises mainly serve adults and dislocated workers. The customer group served by community colleges is the most diverse.

Since community colleges serve both traditional students planning to matriculate to four-year institutions and experienced workers seeking a second chance in the job market, there has been some difficulty in properly measuring WIA program performance. The original WIA guidelines required every training institution to report on the employment success of all training participants. This methodology caused measured performance of community colleges to look inferior. Employment is the immediate goal for trainees at nearly all proprietary training institutes, while advancement to a four-year college or university is the aim of many community college students. Community colleges objected to the rules for performance

evaluation, and administrative practice has changed somewhat to accommodate the institutional realities. Performance measurement aspects of WIA reauthorization should properly account for practical differences across job training providers.

ITAs are a new and important part of WIA, and the book includes a chapter on the topic by Paul Decker and Irma Perez-Johnson. This chapter describes a field experiment evaluating ITAs for the U.S. Department of Labor. Operations for the ITA experiment were completed in early 2004, and the final evaluation

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**Performance measurement aspects of WIA reauthorization should properly account for practical differences across job training providers.**

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is scheduled to be available late this year. The ITA experiment investigated the question, What is likely to be the best design for a training voucher program? The experimental design involved comparative assessment of three alternative ITA designs: maximum choice, guided choice, and structured choice. Maximum choice is most like the theoretical concept of unrestricted free choice by voucher holders. Guided choice is a model similar to that used by most local workforce areas today. It involves guidance given by local workforce agency counselors, but with the ultimate occupational and training-provider choice made by the customer. The structured choice model is similar to guided choice,



with the final twist that customer choices can be vetoed by a WIA one-stop training counselor. In addition to reviewing the design of the experiment, the chapter examines prior evidence on ITAs, the practical working of a consumer reports system on provider performance to inform choice, and the establishment of eligible training provider lists.

To supplement the examination of publicly provided training, Robert Lerman, Signe-Mary McKernan, and Stephanie Reigg examine the scope of employer-provided training in the United States. Starting with an examination of theoretical models identifying circumstances when it would be profitable for private employers to provide job training for employees, an investigation into the extent of employer-provided training is given. The authors

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use micro data on employers from four distinct sources to investigate which employers provide training, which employees get trained, what type of training is provided, and altogether how much training is done. The essential lessons are that larger enterprises provide formal training to a greater share of employees, and employees who have higher levels of formal education are more likely to get employer-provided job training. The most common topics covered are management, sales, computer skills, and team building. Taken together, private employers provide 90 percent of all job training done in the United States, and employer-provided training increased dramatically over the past 25 years, keeping step with the increasing complexity of tasks performed at work.

Lori Kletzer and William Koch examine the U.S. experience with publicly funded job training in an international context. They compare the

United States with Canada, Germany, Japan, Sweden, the United Kingdom, Hungary, and Korea. The group includes both mature developed economies and rapidly advancing emerging market economies. There is a wide range in the level of public support for job training with Germany, Sweden, and Canada at the top of the list as a percentage of gross domestic product, the bottom range includes the United States on a par with the modest expenditures in the United Kingdom, while expenditures in Hungary and Korea are in the middle range.

Some essential lessons emerge from the examination which looked at the range of public employment policies in place, their effectiveness, and practices for targeting services to particular groups. Those most well prepared by the formal educational system are best able to benefit from short-term public job training when the need for adjustment emerges. Women tend to benefit more from formal training than do men. Close links to the private sector can improve the chances that job training will be successful. The private link operates both by assuring market relevance for training and by increasing the opportunity for practical experience. Short-term training can be effective for those with significant work experience, and linking job search assistance to job skill training is more effective than providing either intervention separately.

*Job Training Policy in the United States* should be read along with the companion volume, *Labor Exchange Policy in the United States*. Just as the job training reform bill passed by the House of Representatives in the previous Congress would have created a single “adult program” that would have consolidated the current adult, dislocated worker, and public labor exchange components of the WIA into a single program, these two books provide a combined summary of the experience and prospects for job training and labor exchange services in the United States. *Labor Exchange Policy in the United States* found that the referral of workers to job openings and provision of job search assistance were cost-effective. These books can help policymakers examine the elements of job training,

labor exchange, and job search assistance to best identify new ways to provide improved services to workers and employers.

*Christopher O’Leary is a senior economist and Robert Straits is administrator, both at the Upjohn Institute. Stephen Wandner is a senior economist at the U.S. Department of Labor. This article reflects the opinions of the authors and not those of either the U.S. Department of Labor or of the W.E. Upjohn Institute for Employment Research.*

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