



**Council for Advancement of Adult Literacy**  
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## **P O L I C Y   B R I E F**

### **ROI FROM INVESTING IN WORKFORCE DEVELOPMENT** Findings on the Effectiveness of Past Workforce Development Programs for Low-Income Adults and Dislocated Workers in the U.S.

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As the U.S. Congress debates the need for and the economic case for funding future workforce development programs, it may well wish to objectively review findings of past evaluations of such federally-funded programs particularly for low-income adults and for dislocated workers. There are 30 plus years of objective finding on past evaluations of employment and training programs for low-income adults under the Comprehensive Employment and Training Act of 1973-81, the Job Training Partnership Act of 1982-1997, and the current Workforce Investment Act (WIA), which is currently up for reauthorization.

The evidence on the effectiveness of employment and training programs in raising the employment and earnings of low-income program participants has been consistent and quite positive for CETA, JTPA and WIA employment programs, especially for low-income women and very frequently for low-income men. As will be noted below, the benefits of these programs consistently appear to be high enough to offset the costs. Similar evidence has been found for WIA employment and training programs for low-income adults at the state level in recent years, including Kentucky, Massachusetts, and Washington.

The evidence on the effectiveness of workforce development programs for dislocated workers is more limited and mixed. There were no dislocated worker programs under CETA, the national JTPA evaluation of the early 1990s only evaluated programs for low-income adults and youth, and some state impact evaluations have also only focused on low-income adults. A new

national evaluation of dislocated worker programs is currently underway, but results will not be available for several years. A summary of key evidence from three major national evaluations of JTPA and WIA programs over the past two decades and three state evaluations from 2004-2010 is presented below. The three major national evaluations, all of which were undertaken for the U.S. Department of Labor, were the following.

- The national JTPA impact evaluation of low-income adults and youth that involved a true experimental design in 16 local JTPA service delivery areas (1996 publication Does Training for Disadvantaged Worker? by The Urban Institute Press).
- The national Administrative Data Research and Evaluation (ADARE) evaluation of WIA adult and dislocated workers programs in 7 states across the nation (October 2005).
- The more recent IMPAQ International evaluation of WIA adult and dislocated worker programs in 12 states across the country (December 2008).

### **The 1990s National JTPA Evaluation of Programs for Low-Income Adults**

In 1986, the U.S. Department of Labor commissioned a national impact evaluation of JTPA adult and youth employment and training programs. The evaluation was undertaken by a consortium of research contractors (Abt Associates, MDRC, and National Opinion Research Center). Sixteen local JTPA service delivery areas were selected for the random assignment evaluation. Applicants for JTPA services were randomly selected for participation in the study between November 1987 and September 1989. Once selected, they were tracked for 30 months with personal follow-up surveys and UI records on their covered employment and earnings experiences, and administrative data on their welfare program participation.

The earnings impacts for JTPA adult participants were estimated separately for men and women for four time periods (months 1-6, 7-18, 19-30, and all 30 months combined). The findings on earnings of adult women were consistently and significantly higher than those of the control group. Over the full 30-month period, the JTPA adult women out-earned the control group by nearly \$1,200. For adult men, the earnings impacts were always positive but only statistically significant in the final follow-up period (months 19-30). For all 30 months combined, the earnings impact for adult men was \$980 and was statistically significant at

the .05 level. The authors of the impact evaluation did attempt a benefit cost analysis. Findings revealed that the adult programs for women and men returned \$1.56 and \$1.40 in benefits for every dollar of cost to the rest of society.

In the mid 1990s, the General Accounting Office produced a report on a longer-term evaluation of these same JTPA programs covering 60 months of follow-up data for adult men and women using Social Security Administration earnings data. My analysis of these findings showed that the earnings gains for adult women were statistically significant in all 5 years and for men in the first four of these five years. The mean annual amount of these earnings gains was only \$440 to \$460 for both gender groups; however, the net costs of providing these services were also quite low since the control group often received services elsewhere.

With the data on both annual earnings impacts and net costs of services for men and women I conducted a benefit-cost analysis of these JTPA investments back in 1997 for the U.S. Department of Labor. Using three separate social discount rates ( $n = .05, .10, .15$ ), and assuming no further earnings gains after year five (a conservative assumption), I estimated benefit-cost ratios for men ranging from 2.54 to 3.16 and for women from 1.94 to 2.42. At every alternative discount rate, the JTPA training investments were economically worthwhile.

### **ADARE Evaluation of WIA (2005)**

A national quasi-experimental evaluation of WIA adult and dislocated worker programs known as the ADARE evaluation in seven states across the country in 2001-2002 was undertaken for the U.S. Department of Labor's Employment and Training Administration. This project was undertaken by a group of researchers (Chris King, Kevin Hollenbeck) at several research organizations. A quasi-experimental evaluation design was used to estimate quarterly employment and earnings impacts for two years following program exit. The employment and earnings impacts for both WIA adult and dislocated worker programs were quite favorable. The average recipient of WIA adult services (any service) earned about \$6,600 more than the average comparison group member who did not receive any services from the local WIA system over the first two post-program years. The impact findings for enrollees in WIA dislocated worker programs were even more favorable with two year impacts in the \$7,200 to \$8,000 range for men and women. Increased employment and higher earnings per quarter of employment underlie these favorable results. The authors did not attempt any benefit-cost or rate of return analysis.

Given the low annual costs per WIA enrollee in these programs and even assuming that benefits only lasted for two years (a very conservative assumption), I estimated a benefit-cost ratio greater than 3 for both of these programs.

### **IMPAQ International Evaluation of WIA (2008)**

A more recent national evaluation of WIA adult and dislocated worker programs was completed by IMPAQ International for the U.S. Department of Labor. This quasi-experimental evaluation of WIA programs in 12 states covered programs operating during July 2003-June 2005. The study collected quarterly employment and earnings data for up to 4 years on both participants and comparison group members. The impact findings for both men and women served under WIA adult programs were typically quite favorable. WIA adults had significantly higher employment rates from the second year on, and they received significantly higher quarterly earnings. The annual earnings impacts in years 3 and 4 were in the \$1,600 to \$1,840 range for men and in the \$2,340 to \$2,360 range for women.

Findings for dislocated workers were less favorable. There were small positive employment impacts of 3 to 5 percentage points in the second, third and fourth follow-up years. Most of the estimated earnings impacts were positive in the last two years of follow-up but not very large (\$100 per quarter for men and \$200 per quarter for women in years 3 and 4) but they do not offset earnings losses in the first two years. The net impact over all four years was somewhat below zero.

### **State WIA Program Evaluations**

Over the past 5-6 years, several states across the country, including Kentucky, Massachusetts, and Washington, have conducted impact evaluations of one or several of their WIA workforce development programs, especially WIA adult programs. These state evaluations all have been based on quasi-experimental techniques involving comparison groups rather than randomly assigned control groups, and they only provide estimates of earnings and employment impacts rather than benefit-cost analyses or rate of return analysis. For WIA adult programs, especially those serving women, the earnings impacts are always positive and statistically significant and in the range of \$2,700-\$2,800 and up to \$4,000 per year for 3-4 years post-program. Given the low average net costs of providing services to WIA adults, these earnings

impacts are typically big enough to more than offset these costs. Findings for dislocated worker programs are less frequently available and provide mixed results, some positive (Washington) and others closer to zero (Kentucky).