

Research Report

Selected Public Workforce Development Programs in the United States

Lessons Learned for Older Workers

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None of the opinions expressed by the authors reflect the policies or positions of AARP, the W.E. Upjohn Institute for Employment Research, or The Urban Institute.

About the Future of Work@50+

This report is part of the Future of Work@50+ Initiative. This is a multi-year initiative that examines the challenges and opportunities facing older workers. For other reports and information, visit: <http://www.aarp.org/futureofwork>.

AARP's Public Policy Institute informs and stimulates public debate on the issues we face as we age. Through research, analysis, and dialogue with the nation's leading experts, PPI promotes development of sound, creative policies to address our common need for economic security, health care, and quality of life.

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Glossary of Selected Workforce Development Terms



Acronym	Definition
AJC	American Job Center
ARA	Area Redevelopment Act of 1961
ARRA	American Recovery and Reinvestment Act of 2009
ATAA	Alternative Trade Adjustment Assistance
CETA	Comprehensive Employment and Training Act of 1973
EITC	Earned Income Tax Credit
ES	Employment Service
ITA	Individual Training Account
JSA	Job search assistance
JTPA	Job Training Partnership Act of 1982
MDTA	Manpower Development Training Act of 1962
OJT	On-the-job training
PEP	Public Employment Program
PIC	Private Industry Council
PRA	Personal Reemployment Account
PSE	Public service employment
REA	Reemployment and Eligibility Assessment
SCSEP	Senior Community Service Employment Program
SSA	Social Security Act of 1935
TAA	Trade Adjustment Assistance
TANF	Temporary Assistance for Needy Families
TANF EF	TANF Emergency Fund–Supported Subsidized Employment Program
TJTC	Targeted Jobs Tax Credit
TRA	Trade Readjustment Allowances
TUR	Total Unemployment Rate
UI	Unemployment Insurance
USDOL	United States Department of Labor
W-P Act	Wagner-Peyser Act of 1933
WIA	Workforce Investment Act of 1998
WIB	Workforce Investment Board
WIN	Work Incentive Program
WIOA	Workforce Innovation and Opportunity Act of 2014
WOTC	Work Opportunity Tax Credit
WPRS	Worker Profiling and Reemployment Services

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Executive Summary

Selected Public Workforce Development Programs in the United States: Lessons Learned for Older Workers provides a selective review of public workforce development programs in the United States over the past 80 years. The report places special emphasis on the importance these programs have to older Americans. It discusses how the public workforce system developed, how it operates today, significant programs and target groups, common employment services and job training strategies, and what is known about program effectiveness. In some instances, the report speculates on how the Workforce Innovation and Opportunity Act of 2014 (WIOA) might influence such programs.

Particular attention is given to services benefitting dislocated workers (i.e., experienced adults permanently separated from their prior employers). The report includes evidence on the services found to work best and suggests policies and additional research to improve the public workforce system—especially for older workers.

PUBLIC WORKFORCE PROGRAMS FOR OLDER WORKERS

This report focuses on the three programs that serve the greatest numbers of older workers as well as those programs specifically targeted to older workers: (1) the Employment Service (ES), which funds employment services delivered by public employees; (2) the Workforce Investment Act (WIA) Dislocated Worker program, which funds employment services and job training delivered by public and private employees; and (3) the Senior Community Service Employment Program (SCSEP), which funds subsidized employment.

The Employment Service and the Workforce Investment Act Dislocated Worker programs are the public workforce programs that serve the greatest number of older workers. The Senior Community Service Employment Program and the Alternative Trade Adjustment Assistance (ATAA) program, which serves very few people,

are the only programs that specifically target older workers.

PUBLIC WORKFORCE SYSTEM

The public workforce system emerged during the Great Depression. The first two pillars of the system—the Employment Service and Unemployment Insurance (UI)—were established by the 1933 Wagner-Peyser Act and the 1935 Social Security Act, respectively. In the United States, publicly funded civilian job skills training began mostly in the 1960s and continues today, but its emphasis and governance have changed substantially over the years with varying input and authority from federal, state, and local partners.

The division of control over workforce development programs now results in state governors distributing most federal money for job training to local Workforce Investment Boards (WIBs). Employees of state-run Employment Services and public and private service providers of local-run WIBs deliver employment services at American Job Centers (AJCs).

SERVICE MIX, TARGETING, AND EFFECTIVENESS

The most popular employment services at the approximately 2,500 American Job Centers are employment services such as resume preparation, job interview referrals, job placements, job search counseling, skill and aptitude testing, occupational and labor market information, job search workshops, job clubs, and referrals to job skills training. AJCs also directly serve employers by providing labor market information and employee recruitment services. On-the-job and classroom trainings are Workforce Investment Act services, not Employment Service services. Most research has shown that employment services are the most cost-effective means to reemployment from a government spending perspective. Although many participants benefit from training, program benefits would increase through better targeting of workers in need of training.

Since the 1980s, the public workforce system has decreased staff-assisted (person-to-person) job search assistance and replaced it with automated self-serve systems. Automated job search tools facilitate delivery of services to larger numbers of jobseekers, even though many job searchers—especially older workers—may have difficulty using such tools. A decreasing percentage of counseling, job matching, and job development services are staff-assisted. At this time, dedicated staff members specializing in job development and job placement for older workers are not available at American Job Centers.

Evaluations of federally funded job skills training have produced mixed evidence of the training's effects on employment and earnings. Rigorous evaluations of the training of disadvantaged adult workers and of sectoral training (training for growing industrial sectors like technology and health that generally pay well) programs have had encouraging results. The most effective types of job training tend to be targeted (selection factors that draw a limited number of participants from a broader pool) classroom skill training, on-the-job training, and customized training. The last approach involves close collaboration among employers, state workforce agencies, and training providers to develop job-specific curricula. Despite evidence of the success of on-the-job and job-specific training, federal policies do not require their use; however, more emphasis on these training approaches is contained in the Workforce Innovation and Opportunity Act.

Community and technical colleges in the United States have assumed a growing role in providing job training but continue to emphasize their academic role, preparing students with 2-year degrees to enter 4-year colleges. However, many community colleges are recognizing an equally important mission to provide noncredit, certificate, and vocational programs for workforce development purposes.

Under the Workforce Investment Act, the sparing use of supportive services such as transportation and child care has stymied completion of longer-term training. The public workforce support system has experimented with such hiring incentives as wage subsidies to employers, but the results have been mixed. In contrast, wage supplements, which are incentive payments made

directly to employees, have generally been found to increase job acceptance rates.

Field experiments testing the effectiveness of cash incentive payments to unemployment insurance recipients to speed reemployment were found to be modest and barely cost-effective. However, one study suggested that bonus offers to age 55-plus jobseekers shortened durations of unemployment significantly more than for prime-age workers.

The Senior Community Service Employment Program has not been rigorously evaluated with a comparison group (units that receive either no treatment or an alternative treatment) study. A recent process analysis identified some best practices that might increase the rate of transition to unsubsidized employment.

Public service employment (PSE) provides government funds to temporarily hire unemployed workers to perform useful tasks in public or nonprofit sectors. PSE was widely used in the 1930s and 1970s to quickly stimulate the economy during periods of high unemployment, but public acceptance in the 1970s was marred by instances of waste, fraud, and abuse. However, some evidence shows that PSE can be an effective countercyclical income support program that also arrests the decline in skills for future employment.

Over the past 20 years, older workers have become a significantly larger percentage of total jobseekers. Nonetheless, this group continues to constitute only a small percentage of workers receiving reemployment services from the public workforce development system. Therefore, policies and resources that improve services for all may be the best way to improve the reemployment success of older workers.

POLICY OPTIONS

This report suggests some policy options to increase the availability and effectiveness of services for older jobseekers making use of the American Job Center Network.

Employment Services

To increase the availability of staff-assisted employment services for older jobseekers in the American Job Center Network, the public workforce system could:

- » Reduce reliance on automated self-services for older jobseekers by increasing staff-assisted services for assessment, screening, counseling, job search assistance, job referrals, and job development.
- » Provide staff-assisted services for older jobseekers who need individualized assistance.
- » Establish staff positions in American Job Centers for Older Worker Representatives to assist older job seekers.
- » Increase the use of job clubs for older workers and conduct evaluations of their effectiveness.
- » Increase funds for targeted reemployment services provided to unemployment insurance claimants. In-person assistance to permanently separated, experienced workers would be especially helpful to older workers.

Training

- » Older-worker training should be targeted to the job skills in demand by local employers. Stronger guidance should be provided through staff-assisted counseling on the use of Individual Training Accounts. The training should concentrate on (1) high-demand and high-return occupations, (2) on-the-job training slots that can result in employment with significant earnings, and (3) customized training that can improve skills and may increase retention and earnings.
- » Training allowances are needed to help workers defray living expenses during longer training periods. Other supportive services (such as transportation and child or elder-care assistance) should also be available. Increased state flexibility to provide supportive services is contained in the Workforce Innovation and Opportunity Act.
- » Better assessment, including interviewing, testing, and counseling, would more effectively screen participants for training referrals for in-demand occupations.
- » Because of severely limited provision of more costly job training by the public workforce system, policy efforts should focus on providing more lower-cost, staff-assisted employment services.

Incentives, Subsidies, and Job Creation

- » Increase the use of cash incentives such as wage supplements paid to workers upon reemployment or the expansion of the Earned Income Tax Credit.

Senior Community Service Employment Program

- » Conduct a rigorous national evaluation of the Senior Community Service Employment Program to provide a better program impact assessment.

Reemployment Bonuses

- » Conduct a rigorously evaluated field experiment to study the impact of reemployment cash bonuses for older workers.

Public Service Employment

- » Consider implementing targeted countercyclical Public Service Employment demonstration projects during the next recession. The design of such demonstration projects should take into account the impact on various demographic groups, including older workers.

Temporary Assistance for Needy Families (TANF) Emergency Fund-Supported Subsidized Employment Programs

- » Consider using an evidenced-based demonstration project limited to older workers to determine whether the results of TANF Emergency Fund-supported subsidized employment programs can be replicated for older workers.

Improved Data

- » The U.S. Department of Labor should collect and publish data with a greater number of age breakouts to allow demographic comparisons across workforce programs and to permit consistent contrasts with standardized labor force summary statistics. According to the Workforce Innovation and Opportunity Act, data in state and local area reports are to be disaggregated by age and made publicly available.
- » Consideration should be given to oversampling older workers in future evaluations.

On July 22, 2014, President Obama signed the first major federal job training law of this century, the Workforce Innovation and Opportunity Act (Pub. L. 113-128). The new federal law will supersede WIA on July 1, 2015. The extent to which outcomes for older job seekers will improve under WIOA is likely to depend as

much on federal regulations, state and local implementation, economic conditions, funding levels, and other policy considerations as the specific reforms embodied in the law. This report suggests a number of improvements to the public workforce system that target older workers and extend beyond the new federal law.

Section I. Introduction

More than 5 years after the end of the Great Recession, long-term unemployment remains stubbornly high. Despite steady improvements in the U.S. economy, including a prolonged stock market expansion, millions in the labor force who are seeking work remain either jobless or in part-time jobs (U.S. Department of Labor 2014b). The economic aftermath of the Great Recession, among other circumstances, enabled Congress to reassess the adequacy of and need to update the Workforce Investment Act (WIA) of 1998, propose moderate reforms to the public workforce system, and build consensus over the 5-year post-recession period on how to provide better access to employment, education, training, and support services. A bipartisan overhaul of the nation's job training system passed Congress in 2014. On July 22, 2014, President Obama signed the first major federal job training law of this century, the Workforce Innovation and Opportunity Act (WIOA) (Pub. L. 113-128). The new federal law will supersede WIA on July 1, 2015.¹

Selected Public Workforce Development Programs in the United States: Lessons Learned for Older Workers takes a selective look at public workforce development programs in the United States. It reviews workforce development programs most

relevant to older workers, first reviewing the program, looking at the research and evaluation evidence about the effectiveness of the program, and finally considering the programmatic policy implications for workers in general, and older workers in particular. The review of pertinent workforce development programs and research during the past half century is purposely limited, concentrating on programs that might be of assistance to older workers and on issues of potential policy concern.

The report concentrates most heavily on the three programs that serve the greatest number of older workers and specifically target older workers—the Employment Service (ES), Workforce Investment Act Dislocated Workers program, and the Senior Community Service Employment Program (SCSEP). In some instances, we try to anticipate how the Workforce Innovation and Opportunity Act is likely to influence the services provided under these programs.

The Employment Service and the Workforce Investment Act Dislocated Worker programs are the public workforce programs that serve the greatest number of older workers. The Senior Community Service Employment Program and

Program	Number of Older Workers Served (thousands)	Total Program Budget (thousands)	Type of Services Provided
Employment Service (ES)	2,400	\$700,000	Employment Services
Workforce Investment Act (WIA) Dislocated Workers	700	\$1,000,000	Employment Services and Job Training
Senior Community Service Employment Program (SCSEP)	100	\$600,000	Subsidized Employment/ Reemployment and Job Search Services

Sources: U.S. Department of Labor, 2011a and 2011b; and Social Policy Research Associates 2012.

Note: The number served and program budgets are based on data from program years (PYs) 2010 or 2011 and are rounded. ES and SCSEP participants are age 55-plus. The WIA Dislocated Worker program is not targeted to older workers, but most participants are age 40-plus.

¹ Under WIOA, state Unified Plans and Common Performance Accountability provisions take effect on July 1, 2016.

the very small Alternative Trade Adjustment Assistance program² are the only programs that are specifically targeted to older workers. This paper does not discuss public workforce programs that do not serve older workers (e.g., WIA Youth and apprenticeship), are proposed programs with little likelihood of implementation (e.g., Personal Reemployment Accounts), or are very small or operate in only a few states (e.g., Self-Employment Assistance).

In order to succeed in the labor market, many older workers need reemployment services; that is, job finding and placement services, and, perhaps to a lesser extent, skill or occupational training. Although older workers tend to become unemployed less often than younger workers and have greater work experience, once they become unemployed and are looking for work, they remain jobless for longer periods of time and require more staff-assisted employment services. This report discusses a range of programs available to older workers, now and in the past. Thus, the thrust of this report is to look for the features of past and current workforce development programs that are particularly effective for older workers, speculate how the Workforce Innovation and Opportunity Act may influence such programs, and consider new programs that might be targeted to older workers.

This report reviews a number of different workforce development interventions that can assist older unemployed workers in their return to work. The next section examines employment services, while Section 3 reviews the different types of training offered. Section 4 considers the uses of incentives and subsidies, and Section 5 looks at job creation programs. Finally, Section 6 reviews program tradeoffs and suggests policy options for unemployed workers in general, and for older workers in particular.

Throughout this report, the definition of older worker changes, because, for public workforce development programs, no consistent definition of age groups is used in the evaluations and published summary data. As under WIA, the term “older individual” under the Workforce Innovation and Opportunity Act means an individual age 55 years and older (U.S. Department of Labor 2014d). Discussion about antecedent workforce development programs and their evaluation makes use of the reporting data and demographic analyses that were considered appropriate at previous times. We indicate the age groupings for participants in each program discussed. This is necessary because in many cases, the ages of participants are not reported, or they are reported for differing age breaks.

2 Amendments in 2009 and 2011 renamed ATAA as Reemployment Trade Adjustment Assistance. For the purposes of this paper, we use the term ATAA as cited in the research.

Section 2. Employment Services and the Federal-State Employment Service

According to BH Careers International, 80 percent of job openings are never advertised, and over half of all jobseekers get their jobs through networking (New York Department of Labor 2014). For jobs that are advertised, jobseekers use various ways to find them. Eberts and Holzer (2004) indicate that about 20 percent of jobseekers use the public workforce system to obtain jobs. When these jobseekers reach American Job Center local offices—formerly called the One-Stop Career Centers³—they find that the amount of staff-assisted services has decreased. The self-services available either in resource rooms or remotely do not appear to meet the needs of some jobseekers, while frontline AJC workers face large numbers of jobseekers needing help. Despite the great need for in-person services, the number of physical AJCs nationwide where the jobless can go to seek public job finding assistance has declined. In 2003, there were 3,582 AJCs (Wandner 2010) and that number has decreased to 2,479 AJCs (U.S. Department of Labor 2014a) with the greatest loss in rural areas. Sections 121 and 303 of WIOA require co-location in American Job Centers of Wagner-Peyser Act Employment Service programs. It will be interesting to examine the changes in physical access to services in rural areas where a large share of older jobseekers reside, as well as the geographic distribution of staff-assisted services statewide resulting from this new federal requirement (U.S. Department of Labor 2014d).

At the same time, more unemployed and underemployed workers are seeking public job finding services, and the age 50-plus labor force has grown. Public employment services are the most widely used services within the nationwide American Job Center Network. In PY 2011, nearly 19.1 million jobseekers received Wagner-Peyser Act ES services. Among states reporting Employment services usage by age, 14 percent of workers served were age 55-plus. Of those age 55-plus, 91 percent were unemployed, and 57 percent received unemployment benefits.⁴ Thus, ES served a large number of workers age 55-plus (2.4 million). Almost all of these workers were unemployed, with over half of them collecting unemployment benefits.

Funded through federal grants to states under the Wagner-Peyser Act, employment services are provided at no cost to either jobseekers searching for work or to employers seeking to fill job openings. The services are delivered by state government employees.⁵ Employment Service grants are funded from employer contributions under the Federal Unemployment Tax Act. Over three decades, however, reduced budgets and the use of Wagner-Peyser Act funds to expand self-service systems have diminished the capacity to provide staff-assisted interviewing, counseling, placement, and job development services nationwide (Chocolaad 2013). A concern is whether the delivery of these services has

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- 3 The nomenclature for state and local public workforce systems varies. The U.S. Department of Labor uses the terms American Job Center Network and American Job Center. Section 121 of the Workforce Innovation and Opportunity Act requires the Secretary of Labor to develop a common one-stop delivery system identifier.
 - 4 PY 2011 data for jobseekers by age are not available for Pennsylvania and Texas (Ridgeway 2013). The total number of Wagner-Peyser Act jobseekers in those states that reported by age in PY 2011 was about 17.1 million. In comparison, in PY 1999, approximately 16.7 million jobseekers received ES services, and 8.1 percent were age 55 and older. Of those age 55 and older, 86 percent were unemployed and 51 percent received unemployment benefits. The Department of Labor ETA 9002 Employment Service report does not break out data for individuals age 50-plus.
 - 5 Under demonstration authority provided by the Wagner-Peyser Act, three states (Colorado, Massachusetts, and Michigan) administer ES services using both employees of state government and other entities. Despite unsatisfactory research findings, the U.S. Department of Labor has not concluded these demonstrations. For further information, see Balducchi and Pasternak (2004) and Wandner (2010).

been sufficiently in-depth, and whether sufficient resources are available to fund staffing.

Evaluations of the Employment Service program face limitations. Legal and ethical requirements prohibit the denial of public employment services to a control group because all workers have a right to receive services. Studies use implementation, outcome, survey, and comparison-group methodologies, but such studies are not as convincing as random assignment evaluations. We cite evidence from studies based on administrative and survey data.

TYPES OF EMPLOYMENT SERVICES

State Employment Service (ES) programs (1) assist jobseekers in finding jobs, (2) assist employers in filling jobs, (3) facilitate matches between jobseekers and employers, (4) participate in the “clearing of labor between states”—ensuring that job openings are available to jobseekers, and (5) administer the work test requirements of state unemployment insurance laws (U.S. Department of Labor 1983). Employment services are provided to all who request them, including targeted groups of veterans, migrant and seasonal farmworkers, and persons with disabilities.⁶ Section 305 of the Workforce Innovation and Opportunity Act increases ES service and referral responsibilities to unemployment insurance claimants. Such services have been provided to claimants for many years, albeit unevenly state to state, due largely to budget shortfalls. The emphasis on the provision of such services in the new federal law should benefit unemployment insurance claimants, including older claimants. It will be interesting to see if additional Wagner-Peyser Act funds will be appropriated to meet these new responsibilities (U.S. Department of Labor 2014d).

Jobseekers are able to receive services from the Employment Service (or as core Workforce

Investment Act services), and unemployment insurance claimants in most states are required to register for work through state-operated online service portals either remotely or at computer stations in American Job Center resource rooms. Employment services for jobseekers include basic labor exchange services, which are job referral and placement services; assessment services, including interviewing, testing, and counseling; job search workshops and job clubs; occupational and labor market information; and referrals to training and other services. Reemployment services are ES services for experienced workers, who usually receive unemployment insurance benefits when involuntarily out of work.

Employment services for employers include labor market information and recruitment services to fill job vacancies. Classroom and on-the-job training are not ES services, but ES refers workers to job training administered by WIA service providers. Local-level core and intensive services funded under WIA are mostly the same as Wagner-Peyser Act ES services.⁷ Section 134 of the Workforce Innovation and Opportunity Act collapses the WIA categories of core and intensive services into “career services” without repurposing them.

Additional services are provided to unemployment insurance (UI) claimants likely to exhaust benefits under the Worker Profiling and Reemployment Services (WPRS) system, and claimants in states participating in the Reemployment and Eligibility Assessment (REA) initiative. These targeted groups often receive some staff-assisted services, along with facilitated self-help and self-services. Currently, no additional funds are provided by the U.S. Department of Labor for reemployment services for these targeted groups of UI claimants, who are dislocated and tend to be older.⁸ Providing services to all dislocated UI claimants referred to services through state WPRS systems

6 State ES staff serve veterans and migrant and seasonal farmworkers with targeted grant funds in addition to base ES grants. Designated staff members in American Job Centers assist veterans and monitor advocates assist migrants and farmworkers. Section 8(b) of the Wagner-Peyser Act also requires that each American Job Center have a staff person designated to assist persons with disabilities.

7 Funds authorized under sections 7(a) and (b) of the Wagner-Peyser Act must be used to provide core services and may be used to provide intensive services under WIA only in so far as the funds are for employment services and administered consistent with Wagner-Peyser Act requirements (U.S. Department of Labor 2000a).

8 Section 305 of the Workforce Innovation and Opportunity Act also expands the work test of claimants under the Wagner-Peyser Act—ensuring that those who receive benefits are able and available for work—to include “eligibility assessments” of claimants. As a result, the partnership role of the Employment Service with unemployment insurance in administering the Reemployment and Eligibility Assessment initiative may expand.

was estimated in 2010 to cost \$300 million per year (Wandner 2010).

In a synthesis of a number of selected studies, one author of this report cited evidence that employment services yielded significant reductions in the payment of unemployment benefits.⁹ The availability of administrative data on UI receipt and the savings to the government sector make duration of insured unemployment a preferred evaluation outcome.¹⁰

The first major evaluation of Employment Service job referrals in the 1980s was based on a national sample and focused on ES impacts on the earnings of service recipients. Those receiving staff-assisted job referrals were observed to have higher earnings gains than those not receiving the service. The earnings effect was more pronounced for women, but job referrals also showed a measurable benefit to older men in urban areas (Johnson, Dickinson, and West 1985).

Later studies suggest that people receiving only job referrals experienced shorter durations of UI receipt than those who did not receive the service. The estimate in Washington was 2.1 weeks and Oregon 1.1 weeks (Jacobson and Petta 2000). Research by Jacobson et al. (2004) estimated similar findings. Studies also show the services of the Employment Service to be cost-effective methods for job searching because of their efficacy and relatively low cost, estimated at between \$23 per person for call-ins to \$675 for job development (Jacobson 2009). Similar estimates derived from Georgia put the cost per person at between \$360 and \$712 (O’Leary and Eberts 2004), and \$330 per person in Oregon and Washington (Jacobson and Petta 2000).

Other studies provide evidence on how eligibility reviews and reemployment services affect the duration of insured unemployment and strengthen program coordination. A Wisconsin demonstration of eligibility reviews and reemployment services that included joint UI-ES interviews and workshops shortened unemployment insurance durations compared with other claimants who received only an ES orientation (Almandsmith, Adams, and Bos 2006). This result was supported by evidence from three

Reemployment and Eligibility Assessment studies, which had similar findings (Benus et al. 2008). In Nevada, the most rigorous evaluation concluded that Reemployment and Eligibility Assessments led to significantly shorter UI durations and lower benefit amounts where treatment group claimants collected 3.13 fewer weeks and \$873 lower total benefit amounts than their peers (Poe-Yamagata et al. 2011; Michaelides et al. 2012).

SERVICES BETTER SUITED FOR OLDER WORKERS

Using administrative records from one state, O’Leary and Eberts (2008) found “that older workers, relative to their younger counterparts, return to work at lower rates, are less likely to return to the earnings levels achieved before they lost their jobs, and are less likely to have sustained employment after returning to work.” These results are consistent with other studies. Unique to O’Leary and Eberts’s research was a finding that “older workers who do gain reemployment after an involuntary job separation maintain a closer attachment to their new employers than do their younger counterparts. The longer employer attachments observed for older workers should be an appealing quality for prospective employers, if this longevity reflects greater loyalty and human capital possessed by older workers.” These longer attachments also could be a result of employees’ inability to leave jobs because of their economic circumstances, and the need for incomes or benefits (e.g., health care). A resulting policy question is what services or mix of services for reemployment work best for older workers? We examine three service interventions that appear successful and discuss the supportive research.

More Reliance on Staff-Assisted Services than on Self-Services

When adjusted for inflation, Employment Service program funding has fallen by more than 50 percent since 1985 (Chocolaad 2013). These shortfalls in funding came at a technological pivot point where advanced job search software and remote access could replace (or attempt to replace) human interventions. Use of automated self-services was a means to meet budget

9 Portions of this subsection derive from O’Leary (2006).

10 Estimates suggest that shortening the average duration of UI by 1 week would save almost \$3 billion per year (Hobbie 2008).

imperatives to tackle increased workloads with less staff, particularly fewer employment interviewers, counselors, and job developers. Declining funds meant a sharp decrease in the receipt of staff-assisted and one-on-one services with a substitution of automated self-services and group services. Section 121 of the Workforce Innovation and Opportunity Act requires that American Job Center partner programs dedicate funding for infrastructure and other shared costs. Perhaps this new cost-sharing requirement will result in a better distribution of the technology costs between partners, and possibly greater use of staff-assisted services. However, according to a national survey, the expiration of temporary supplementary Employment Service funds during the Great Recession forced reductions and changes in most states, including a shift to less costly automated ES services reported by 14 additional states (Wandner 2013a). Out of necessity, self-services are used by all workers, but older workers use automated services the least (D'Amico et al. 2009), perhaps because they have difficulty and may require more help in navigating the service platforms.

D'Amico et al. (2009) conducted a major study of facilitated self-help services and self-services using a case study approach at selected American Job Centers nationwide. The study found that the ratio of self-services to staff-assisted services at some sites was 50:1. Self-services were used most often by the middle-aged, and 10 percent of the users were age 55-plus. Women were more likely than men to migrate to staff-assisted services, and the self-service they used most frequently was searching for job openings (79 percent), although they rated this service the lowest (41 percent) in terms of helpfulness. D'Amico et al. concluded that the job center self-services are under great stress because of heavy jobseeker use and the difficulty for some in accessing self-services without staff assistance.

Staff-assisted services can make a positive difference for older workers when they are provided. During the Great Recession, the U.S. Department of Labor launched a short-term Aging Worker Initiative directed at workers age 55-plus. Ten states received one-time grants to address the job finding problems of older workers. Nine of the 10 participating states funded case manager positions, referred to as coaches, navigators,

and aging worker specialists, responsible for organizing the delivery of services to older participants. These case managers were viewed as critical to participant success, providing support and encouragement (Kogan, Khemani et al. 2013).

Job Search Assistance

Job search assistance (JSA) includes tools and tips for job searching, generally through workshops that may last between 2 hours and 3 days, and job clubs that offer small group support and networking assistance. The purpose of job search workshops is to improve jobseekers' employability by improving and refining their job finding techniques, and developing realistic employment goals. Workshops tend to combine instruction with extensive discussions (Balducci, Johnson, and Gritz 1997). The demand for job search workshops nationwide increased under both state Worker Profiling and Reemployment Services systems and the Reemployment and Eligibility Assistance initiative due to persistently high rates of unemployment during and after the Great Recession. State and local workshops vary by need and available resources, and usually offer staff-assisted group services. Workshops may include resume and cover letter preparation, job search methods, interviewing techniques, and workshops on topics like surviving job loss, dressing for success, and anger management (Balducci and Pasternak 2001).

Net impact evaluations have considered job search assistance targeted to specific groups. The New Jersey experiment offered results from several combinations of services, including JSA, reemployment bonuses, and job training (Corson et al. 1989). It demonstrated that JSA alone reduced the number of weeks of UI benefits, and that adding job skill or occupational training to JSA had no measureable additional effect. Adding a cash reemployment bonus of half the remaining UI entitlement for those reemployed within 11 weeks of the claim, on the other hand, reduced the number of weeks on UI by almost a full week, which is double the effect of JSA alone. Over a 6-year period, the cumulative reduction in weeks of UI benefit receipt nearly doubled compared with the impact measured over the benefit year. The findings regarding targeted JSA and training were substantiated by another study conducted in Washington, DC, and Florida (Decker et al. 2000). Studies by Dickinson, Decker, and West (1999)

and Black et al. (2003) found early identification of claimants likely to exhaust benefits and their referral to JSA reduced the number of weeks of UI receipt.

As D'Amico (2006) points out, some studies suggest that mandatory interventions may work partly because they threaten claimants; thus, some effects on UI durations appear to come early when claimants are called in for service, but before they actually receive the service (e.g., Black et al. 2003, Decker et al. 2000).¹¹ These and related studies have concluded that the services themselves are important, and mandatory services do not appear to reduce reemployment earnings (Meyer 1995; D'Amico 2006).

Job Clubs

Job clubs originated in the late 1960s and focused on hard-to-serve groups, and their use expanded to other jobless in subsequent recessions. Job clubs are peer-support groups of unemployed individuals. They vary in size and composition. The unemployed members meet to share their experiences in looking for work and network with each other (Balducchi, Johnson, and Gritz 1997). Typically, meetings are facilitated by an AJC staff member, often one who understands the labor market and possesses expertise in working with groups served by the job club (e.g., veterans, older workers). Many clubs have member-imposed ground rules that establish decorum and participation requirements. Examples of job clubs are the 24 New Jersey agency-operated local

job clubs and 6 industry-specific talent network job clubs (New Jersey 2013); the Boise, Idaho, Employment Service agency-administered popular Professional Networking Group (which conducts meetings twice monthly) (Valdez 2013); and the Hennepin South Workforce Center-administered Veterans Networking Group (Bloomington, Minnesota) that meets twice monthly and is open to all veterans. Most who participate are age 40 and older (Wandner 2013b).

Job clubs for older workers, welfare recipients, and reentrants from the criminal justice system were rigorously evaluated in the 1970s and 1980s. In one experiment, older workers who were ES participants were assigned to a job club treatment group or to a control group. After 12 weeks, 74 percent of the job club treatment group participants were employed compared to 22 percent of the control group (Gray 1983). Trutko et al. (2014) reviewed the job club literature starting with the earliest experimentally-evaluated job clubs conducted by Azrin and his coauthors on a small scale in a college town with welfare recipients. In the early 1980s, the success of the Azrin job clubs encouraged the U.S. Department of Labor to conduct larger-scale experiments in Louisville for welfare participants. For a group of 750 participants, the treatment group was found to have substantially greater employment and earnings than their nontreatment counterpart. Thus, job clubs have been shown to have significant impacts on employment and earnings for a number of populations, including older workers.

11 The results of Black et al., however, are suspect. Their study was based on the Kentucky WPRS system during the mid-1990s. A multi-state evaluation of the WPRS system at the same time as the Black et al. study found that Kentucky was providing minimal reemployment services—less than almost all of the other states participating in the evaluation. As a result, it is not surprising that Black et al. found the threat of services was greater than the minimal provision of services in Kentucky. A better test of their thesis would have been to see if Kentucky achieved the same results examining states that provided more substantive reemployment services.

Section 3. Job Training Programs

The purpose of training is to enhance individuals' human capital, which are the skill sets and knowledge that can be applied in a job to be productive. Skills development is a human capital investment to improve employment and earnings prospects, as well as worker productivity. The job skills may be general or specific, meaning that they may be applicable in many jobs, or they may be applicable only to a specific job or occupation. Skills are also referred to as "soft" or "hard." Soft skills are personal attributes or characteristics that tend to affect job performance through interpersonal interactions in the workplace. They include characteristics such as personality traits, communication skills, motivation, friendliness, and optimism. Hard skills are the abilities to perform a certain type of task or activity.

Public funding of job training may be warranted both for unemployed individuals and for incumbent workers. Unemployed adults needing public employment assistance are generally divided into two groups: those with little recent labor market experience and dislocated workers—those who have become involuntarily unemployed after long job tenure. In either case, workers' skills might not match the skill requirements of available jobs either because useful skills have not been acquired or because existing skills have become obsolete. Public funding of skills training is sometimes warranted when unemployed workers cannot afford to purchase training themselves. Public funding of training for incumbent workers also may be warranted to prevent such workers from becoming unemployed.

Most training in the United States is provided by employers or funded by employees. Each year, the great majority of larger employers provide formal training to many of their workers.¹² Thus, the skills of many employed workers are enhanced, but those workers who become unemployed still may not have the skills necessary to find their next job.

Training funded by the public workforce system is a very small portion of training received by workers. Between 200,000 and 300,000 workers receive WIA-funded training each year. The limited reach of publicly funded job training is due to the relatively small budget for all workforce development programs—\$5 to \$6 billion per year—and the fact that these budgets have been declining over the past decade.¹³ In addition, the public workforce system operates open-access local offices—American Job Centers—that provide a wide variety of employment services to about 20 million jobseekers yearly. Most of these jobseekers appear to neither want nor need training before obtaining employment, but they do need reemployment services provided through a variety of federal-state and federal-local programs and some 2,500 AJCs that make the best use of workforce development programs every year. As a result, only 1 to 2 percent of the jobseekers receiving assistance from the public workforce system get job training. Thus, the public workforce system is primarily a job search assistance system rather than a training system.¹⁴ The next section examines training programs under the Workforce Investment Act.

12 The most current data available are from the 1997 National Employment Survey (NES) and the 1995 Survey of Employer-Provided Training (SEPT), both employer surveys of establishments with 50 or more employees. These surveys found 78 percent (NES) and 93 percent (SEPT) of employers provided training in the year preceding the survey (Lerman, McKernan, and Riegg 2004).

13 Training program budgets peaked in 1991 under the Job Training Partnership Act program at \$3.8 billion. The budgets have declined since then and have been about \$2.6 billion yearly during the period 2011 through 2013 (Wandner 2012).

14 Mikelson and Nightingale (2006) estimated the amount and the percentage of Department of Labor 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.

WORKFORCE INVESTMENT ACT

Since the mid-1990s, two major events have changed the nature of training programs in the United States: (1) the establishment of One-Stop Career Centers nationwide that have further linked training to the state Employment Service and other partner agencies; and (2) the introduction of training vouchers. These developments took place in the context of stagnant nominal funding throughout the 1990s, followed by declining funding during much of the next decade. The declining real funding resulted from national policy decisions. Limited funding weakened the principle of universal access to employment services in American Job Centers, and diminished the availability of job training services after participation in core and intensive services¹⁵ (consolidated and renamed “career services” under section 134 of the Workforce Innovation and Opportunity Act). Access to public job training has been very limited, and the nearly 20 million workers per year who seek employment assistance from the AJCs often receive only self-services from computers in AJC resource centers (Wandner 2012).

Two programs are available to adults under the Workforce Investment Act: WIA Adult and WIA Dislocated Worker programs. WIA Dislocated Workers are experienced workers who are permanently separated from their long-term job; these are mostly older workers. Unlike WIA, section 133 of the Workforce Innovation and Opportunity Act authorizes local boards—with the approval of governors—to transfer up to 100 percent of training funds between the Adult and Dislocated Worker Programs. While the intent of this provision is to increase services to all adults, the impact for older dislocated workers could be a decrease in services.

One-Stop Career Centers were introduced beginning in 1994, before the enactment of WIA. U.S. Department of Labor policy (that was mostly successful) was to provide a wide range of employment and training and other social services in a single public local workforce office, staffed by Workforce Investment Act,

Employment Service, and social services organizations. The concept is that individuals searching for work might be able to receive needed services in one location from a variety of different service providers.

Training vouchers (called Individual Training Accounts [ITAs]) are a key component of the Workforce Investment Act. Individuals who are selected to participate in training are given vouchers that they can use for self-selected training courses, at the training provider of their choice. The motivating concept is consumer choice, with trainees exercising consumer sovereignty after being given current information about the availability, nature, and quality of training in their locality. Unfortunately, most states under WIA have not been able to produce annual consumer reports on training providers and training courses needed by potential trainees, and most of the consumer reports that are produced are neither current nor complete (Davis, Jacobson, and Wandner 2014). Possibly as a result, section 116 of the Workforce Innovation and Opportunity Act requires that data on training providers’ performance outcomes must be computed and made publicly available.

Two evaluations of the Workforce Investment Act have been completed, and a third evaluation is currently under way. The first evaluation (Hollenbeck et al. 2005), a comparison group study, examined the net impact of the WIA program in seven states using longitudinal administrative data. WIA participants who received WIA core, intensive, or training services were compared with a group of individuals who registered with the Employment Service but did not receive WIA services. The treatment and comparison groups received employment services in program years (PYs) 2000 or 2001. The evaluators concluded 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” (ibid). The evaluation examined two treatment populations: (1) Workforce Investment Act participants who received some WIA services, but not necessarily training services (“any WIA services”), and (2) those who

15 Core services are available to all WIA customers (universal), and are generally self-service or services requiring minimal staff assistance. Intensive services are services available to WIA Adult or Dislocated Worker customers who have completed one or more core services and have still not gained employment. Section 134 of the Workforce Innovation and Opportunity Act also clarifies that individuals will not have to receive a “sequence of services” (i.e., career services) before enrolling in training.

received WIA training services in addition to any other WIA services. The evaluators found that the impact of receiving “any WIA services” compared with only being served by the Employment Service “increases employment rates by about 10 percentage points and average quarterly earnings by about \$800.” The results for the WIA training recipients were less positive. Overall, the evaluation found WIA to be effective, but more effective for (1) those receiving “any WIA services,” (2) those participating in the Dislocated Worker program, and (3) women.

The second Workforce Investment Act evaluation (Heinrich et al. 2011) was conducted in 12 states using a comparison group methodology. Program participants were matched with individuals in a comparison group based on observed variables. The evaluation was of the WIA Adult and Dislocated Worker programs. For WIA Adults, the evaluation found large and immediate impacts on employment and earnings for participants. Individuals participating in training had lower initial earnings, but they caught up to other WIA participants within 10 quarters, ultimately registering large gains. For WIA Dislocated Workers, outcomes were less favorable. Participant earnings in the quarter after training entry were about \$200 lower than for the comparison group. Relative earnings then continued to increase for 16 quarters. Ultimately, earnings grew to be greater than the comparison group by about \$400 per quarter. However, earnings gains for men were much smaller than for women.

SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM

SCSEP, the only employment program run by the U.S. Department of Labor that exclusively serves older workers, serves about 100,000 workers age 55 and older per year in subsidized employment with a budget of about \$600 million. Grantees include public workforce agencies and national nonprofit organizations. Participants are unemployed, disadvantaged older workers who work an average of 20 hours a week at minimum wage. Work experience is gained typically in community service activities at nonprofit and public facilities, such as day-care centers, hospitals,

schools, and senior centers, and these experiences serve as a bridge to unsubsidized employment opportunities (U.S. Department of Labor 2014c). Under the Workforce Innovation and Opportunity Act, SCSEP activities authorized under title V of the Older Americans Act of 1965 remain required activities in the American Job Center Network, but officials with responsibility for these activities are not required to be members of state or local workforce development boards (U.S. Department of Labor 2014d). The absence of these groups from local boards may have an impact on the future provision of services for older workers.

During the program year July 2010–June 2011, the total number of enrolled SCSEP participants was 105,851. Forty-seven percent of participants were women, and the incomes of 89 percent of all participants were below the poverty line. Because SCSEP is a subsidized employment program and likely due to the nature of the population served, only 47 percent of these participants were placed in unsubsidized employment after the program ended. No rigorous evaluations of SCSEP have been performed. A recent process and outcome study by Kogan, Betesh et al. (2013) identified some best practices that may increase the rate of unsubsidized employment among SCSEP participants. These practices are to (1) arrange for skills training in addition to the community service assignment, (2) provide job search assistance directly, and (3) improve access to American Job Center services by either co-locating SCSEP staff at American Job Centers or specifically arranging for participants to receive core services. However, the investigators noted that both SCSEP staff and participants felt that “light-touch” (i.e., automated) core services did not provide the person-to-person, individualized help that older workers often want and need. This finding is consistent with other studies about the current state of automated self-service job finding services for long-term and hard-to-serve jobseekers.

WORKFORCE INNOVATION AND OPPORTUNITY ACT¹⁶

Enacted in July 2014, the Workforce Innovation and Opportunity Act (WIOA) will replace the Workforce Investment Act in July 2015. The

16 Parts of this section were drawn from Training and Employment Notice No. 5-14 (U.S. Department of Labor 2014e) and from the U.S. Department of Labor’s The Workforce Innovation and Opportunity Act Overview (2014f).

Act authorizes Title I Adult, Dislocated Worker and Youth formula programs, Job Corps, Youth Build, Indian and Native Americans, and Migrant and Seasonal Farmworker programs. It amends the Adult Education and Family Literacy Act, the Wagner-Peyser Act, and the Rehabilitation Act. The new federal law affirms the American Job Center (referred to as the One-Stop Center in the law) as the service delivery structure for jobseekers, UI claimants, and employers to obtain job finding, placement, job training, and supportive services.

WIOA establishes unified strategic planning across “core” programs: (1) Title 1 Adult, Dislocated Worker, and Youth programs; (2) Adult Education and Literacy programs; (3) the Wagner-Peyser Act Employment Service, and (4) Title 1 of the Rehabilitation Act programs. In what follows, we speculate on how selected changes in the Title I Adult and Dislocated Worker programs of WIOA may influence policies, delivery, and services to older workers.

Selected WIOA Features That Might Impact Older Workers

Reforms contained in WIOA may impact services to older workers and delivery systems. A key purpose (section 2) of the new federal law is “to increase, for individuals in the United States, particularly those individuals with barriers to employment, access to and opportunities for the employment, education, training, and support services they need to succeed in the labor market.” Individuals with low incomes and those with barriers to employment will receive priority for funding and services. Under section 3, older individuals are among the subpopulations included in the definition of individuals with barriers to employment. Thus, the older-worker subpopulation (and older workers who also may be a portion of other subpopulations, e.g., long-term unemployed) are to receive priority for funding and services that may aid their return to jobs at decent wages. However, receipt of funding and services to older workers may depend on how local areas assign priorities. An “older individual” is defined under WIOA as an individual age 55 or older. Other selected features in the new federal job training law that may affect older workers fall into the following categories:

Administration

WIOA will be more oriented toward economic regions within states. States will identify regions that may be larger than WIA local areas. Local areas in each region will have coordinated planning and service delivery strategies.

States will establish criteria to certify AJC at least every 3 years to ensure continuous improvement, access to services (including virtual service access), and integrated service delivery for jobseekers and employers. Key partners and services will be available at American Job Centers through the co-location of Wagner-Peyser Employment Service and the addition of the TANF program as a mandatory partner. States and local areas are encouraged to improve customer service and program management by integrating intake, case management, and reporting systems. American Job Center partner programs must dedicate funding for infrastructure and other shared costs.

The public workforce system will have a common identifier so that workers who need employment or training services and employers that need qualified workers can easily find their local center. The identifier shall be developed by the Secretary of Labor, in consultation with heads of other appropriate departments and agencies, and representatives of state boards and local boards and of other stakeholders in the one-stop delivery system, no later than the beginning of the second full program year after the date of WIOA enactment.

The Secretary of Labor, with input from a new advisory council, other federal agencies, and states, will develop and implement plans to improve the national workforce and labor market information system. The improved system will help jobseekers make informed career choices.

State and Local Boards

State and local boards will promote the use of industry and sector partnership to address the workforce needs of multiple employers within an industry. State and local boards are responsible for activities to meet the workforce needs of local and regional employers.

Employers are given incentives to offer opportunities for their workers to learn. Employers may receive reimbursement (up to

75 percent) for on-the-job training. States and local workforce areas are responsible for deciding the “significant portion”¹⁷ of the costs that employers pay for customized training—training of workers within an establishment, including older workers. State and local boards must align workforce programs to provide coordinated, complementary, and consistent services to jobseekers and employers. The business community is expected to continue to contribute to strategic development and other activities by maintaining a leadership role on the boards and forming the majority of workforce board membership. State and local boards are expected to be more strategic and flexible as board membership is streamlined.

Planning

Every state will develop and submit a 4-year strategy in the form of a single strategic plan for WIOA core programs for preparing an educated and skilled workforce and meeting the workforce needs of employers. States can include other key partners in their plans such as TANF and Perkins career and technical education programs.

Job Finding and Placement Services

The Workforce Investment Act service categories of core and intensive services are collapsed into a single category of “career services” and there is no required sequence of services, enabling jobseekers to access training immediately.¹⁸ Local areas have flexibility to serve jobseekers with the greatest need by transferring up to 100 percent of funds between Adult and Dislocated Worker programs. Jobseekers who are deficient in basic skills as well as those who are low-income individuals have priority for services from the Adult program. Unemployment insurance claimants can receive eligibility assessment and referral to an array of training and education resources through the Wagner-Peyser Employment Service program.

Training

Local areas can use funds for demonstrated effective strategies that meet employers’ workforce needs including incumbent worker training, registered apprenticeship, transitional jobs, on-the-job training, and customized training. Training that leads to industry-recognized postsecondary

certification is emphasized. States and local areas will use career pathways to provide education and employment and training assistance to accelerate jobseekers’ education and career advancement. Local areas have additional procurement instruments for training to increase customer choice and quality, including Individual Training Accounts, pay-for-performance contracts, and direct contracts with higher education.

Performance and Reporting

Core programs are required to report on common performance indicators that provide key employment information, such as how many workers entered and retained employment, their median wages, whether they attained credentials, and their measurable skill gains. Core programs must measure the effectiveness of services to employers for the first time. The U.S. Departments of Labor and Education, with input from stakeholders, will establish a common performance accountability system for the core programs. Negotiated levels of performance for the common indicators will be adjusted based on a statistical model that takes into account economic conditions and participant characteristics. Moreover, the administrative reports (section 116) of states, local areas, and service providers must enumerate the number of individuals with barriers to employment served by the adult and dislocated programs by each subpopulation, including older individuals, “by race, ethnicity, sex, and age,” and these reports must be made public.

Evaluation

Job training programs will be evaluated by independent third parties at least every 4 years, with at least one multistate random control trial study to be conducted by September 2019. Research and demonstration projects for dislocated workers may be carried out. To improve the employment prospects for older workers, the Department of Labor, in coordination with the Departments of Education and Health and Human Services, is authorized to conduct studies of low-income, low-skilled older individuals that increase the workers’ skills and employment prospects.

17 Section 3(14) of the Workforce Innovation and Opportunity Act.

18 Administratively, the Department of Labor has discouraged use of sequence of services under the Workforce Investment Act.

TYPES OF JOB TRAINING

Most training provided by the workforce development system is skill and occupational training, and most evaluations have been conducted for this type of training. In fact, in PY 2010, skills and occupational training were 84 and 91 percent, respectively, of all training funded by the Workforce Investment Act Adult and Dislocated Worker programs. On-the-job training is also a significant part of WIA training and was 9 and 10 percent of WIA Adult and Dislocated Worker training, respectively. Job readiness training is very small. Customized training also is a small WIA training program. State-funded customized training is much larger; it is provided by most states outside of WIA and with state funding (U.S. Department of Labor 2011a).

Skill and Occupational Training

Since the enactment of the Workforce Investment Act, skill and occupational training has generally taken the form of classroom training courses provided by a wide variety of institutions—community and technical colleges, 4-year public and private institutions, nonprofits, and for-profit training providers. Training is generally provided through training vouchers. Potential trainees are offered a training voucher to choose a training provider and training courses. While training vouchers are the normal method of providing training under WIA, exceptions include on-the-job training, customized training, and contract training under certain circumstances, including training targeted to trainees with special needs. For example, under the American Recovery and Reinvestment Act (ARRA) of 2009, the definition of acceptable WIA training was broadened; local areas within states were authorized for a limited time to contract for class-size training with WIA funds instead of using Individual Training Accounts (U.S. Department of Labor 2010).

A training voucher experiment tested the effect of frontline public workforce staff providing variations in the extent of guidance and counseling to potential WIA training participants—from strong to moderate to weak guidance. The evaluation found that the type of guidance had a significant effect on the labor market outcomes of participants. Strong guidance resulted in trainees spending more time employed in high-wage jobs, compared to weaker guidance.

Over the long term, participants receiving strong guidance were more likely to be employed in the occupation for which they trained than those receiving moderate guidance. The higher wages of those receiving strong guidance resulted in their receiving higher earnings than those with moderate guidance, especially late in the follow-up period (Perez-Johnson, Moore, and Santilliano 2011). The evaluation thus pointed to the importance of providing training information to potential trainees—information that they generally were not able to gain without access to and the support of frontline public workforce staff.

The U.S. Department of Labor conducted a Sectoral Employment Initiative to determine if low-income workers and jobseekers could build skills for particular industry sectors that required technical skills and for which new workers are in demand. An independent evaluation was conducted using a random assignment design. In total, 1,285 people were recruited across three sites, all of whom went through the entire application process and met the program eligibility criteria. The evaluation found that, compared with the control group, participants in the training programs (1) earned significantly more; (2) were more likely to work, and worked more consistently in the second year; and (3) were more likely to be working in jobs that offered benefits (Roder et al. 2008). Thus, this initiative demonstrated that targeting training to high-demand, high-return industries and occupations can significantly improve training outcomes. Conspicuously, section 108 of the Workforce Innovation and Opportunity Act promotes the use of industry and sector partnerships as part of a broader employer engagement strategy. It will be interesting to see whether this promising approach will better serve the workforce needs of employers within an industry and older workers.

Summarizing what is known about the cost-effectiveness of training for dislocated workers, King (2004) found 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 reported small positive effects in Texas and negligible results in New Jersey. However, he concluded that this does not mean that training for dislocated workers

should not be provided, but perhaps it should be less frequently used.

The Trade Adjustment Assistance (TAA) program provides income support and training and reemployment services to unemployed dislocated workers who have been adversely affected by international trade. A recent TAA evaluation indicates that the training component of the program did not help TAA participants. The treatment of TAA-funded trainees and a comparison group of unemployment insurance claimants experienced similar employment rates toward the end of a 4-year follow-up period, while the trainees' relative earnings were negative and statistically significant throughout the period (D'Amico and Schochet 2012). This may suggest that long-term training is not the solution to reemployment for some workers, at least if they continue to have complete control in the selection of training.

Investment in training is likely to be more effective if it is carefully targeted. A study of education at community colleges for dislocated workers in the state of Washington (Jacobson et al. 2001) revealed potentially large returns for older workers and for those who take certain types of courses. The analysis divided courses into "high-return" courses and all other courses. High-return courses are defined as technically oriented vocational skills training and courses including those in math, science, health care, and construction trades. Skill and occupational training can be much more effective when training is directed to high-return training areas that yield positive long-term earning effects. Students completing these types of training programs tend to have an easier time finding and retaining jobs, and they experience higher earnings. High-return training has a high positive impact on workers' annual earnings after completing schooling, while students taking all other courses did not experience positive impacts.

High-return training may be effective for older workers. The returns to retraining older workers—those 35 or older—were estimated by Jacobson, LaLonde, and Sullivan (2005) by examining the impacts of community college schooling on earnings. They found that older displaced workers participated in community college schooling at a lower rate than younger workers. For those older workers who participated, however, the impact

on quarterly earnings was similar to younger workers. One academic year of community college schooling is estimated to have increased long-term earnings by about 7 percent for older men and by about 10 percent for older women. These results are consistent with those reported more generally in the schooling literature. It is worth re-noting that training has produced positive results when American Job Centers provide strong guidance on the use of Individual Training Accounts.

The implications of these results are that displaced workers can achieve significant benefits in the form of increased earnings from training in high-demand industry sectors and in high-return courses and programs. Older workers can benefit from such training as much as younger workers. If older workers enroll in these types of courses, they can expect to achieve improved employment and earnings outcomes.

Job Readiness Training and Work Experience

Job readiness training and work experience are two methods of preparing workers for employment by having them rub shoulders with the world of work without providing them with skills training. Job readiness training and work experience are more appropriate for individuals who have had little experience with the working world—either younger individuals entering the labor force for the first time or for individuals, regardless of age, who have had only weak past attachment to the labor force.

Under WIA, work experience is not considered to be "training," while job readiness preparation is. Work experience under WIA regulations (U.S. Department of Labor 2000b) is classified as an intensive service, which is not training. Work experience primarily functions as a workplace-values activity, while training activities are about the acquisition of specific occupational or job skills. Work experience provides an opportunity for new entrants into the workforce to acquire, through close supervision, an appreciation of workplace norms that may include self-discipline, relating to others, attendance, accountability, understanding compensation, and learning to appreciate and meet an employer's reasonable expectations. Such experience may be paid or unpaid (U.S. Department of Labor 2000c).

By contrast, job readiness assistance under section 134 (d) of the Workforce Investment Act is

classified as training. Job readiness training seeks to develop, through classroom lecture and role playing, the same set of skills and understanding that would be acquired through work experience. It is generally offered as prevocational world-of-work skills and would cover subjects such as punctuality, and work place attitudes and behaviors. Job readiness training usually does not include an associated work component, but it may (U.S. Department of Labor 2000c). These classifications are essentially unchanged under WIOA. Under section 134 of WIOA, work experience is classified as a career service (not training), and job readiness as a training service.

There have been no experimental evaluations of work experience or job readiness training programs. However, work experience was evaluated in the 1970s using a non-experimental design and resulted in the smallest impacts, including negative impacts, of any job training program (King et al. 2000). Generally, neither of these services would be suitable for experienced older workers. They might, however, be suitable for older individuals who have not previously worked, or who do not have recent work experience.

On-the-Job Training

Workers become more productive over time when they work on a job, especially if they receive active help in learning their jobs. Thus, part of any increase in productivity derives from on-the-job training (OJT) whereby the worker learns new or improved skills. OJT requires an investment of time by both the workers themselves and their coworkers as the less experienced workers acquire additional skills. The cost of on-the-job training also involves the cost of any equipment or materials required to teach the skills. Employers often are willing to make these investments in training if they believe that they will get adequate returns in future periods. Publicly funded OJT is generally needed when employers would not otherwise make this investment on their own, which is usually the case for disadvantaged unemployed workers.

On-the-job training has been a component of training programs throughout the history of the U.S. training programs. During the Workforce Investment Act period, on-the-job training has

been a small but significant form of training, but it has been used much less than classroom training. OJT provides limited-duration training to a paid Workforce Investment Act participant who engages in productive work that provides knowledge and skills essential to adequate performance on the job.

According to federal WIA regulations, on-the-job training is training provided under contract with an employer in the public, private nonprofit, or private for-profit sector. Through the on-the-job training contract, occupational training is provided for the WIA participant in exchange for reimbursement to the employer of up to 50 percent of the employee's wage to compensate the employer for its extraordinary cost of providing the training and additional supervision. Under section 134 of the Workforce Innovation and Opportunity Act, local WIBs will be able to increase employer reimbursement to up to 75 percent of the employee's wages (U.S. Department of Labor 2014d).

Perry et al. (1976) found that in cost-benefit studies of an earlier version of federally funded public job training called the Manpower Development Training Act (MDTA) of 1962, OJT was far more cost-effective than classroom skills and occupational training. Two of the five leading cost-benefit studies evaluating the MDTA program dealt explicitly with OJT, and both showed benefit-cost ratios in excess of 3:1. By contrast, four of the five studies for classroom training reported benefit-cost ratios below 2:1.

An evaluation of the Work Incentive (WIN) employment programs also found that the largest impacts on earnings came from on-the-job training (Burtless 1989). Among the factors that contribute to the positive earning outcomes of on-the-job training is the commitment of employers to hire participants after the training period ends, as well as the fact that actual work experience may be as important as formal training (Plimpton and Nightingale 1999). While these studies did not address older workers per se, a recent report from the Centre for European Economic Research examined training by employers, concluding that for employees age 55-plus, on-the-job training was more effective than seminars and formal training (Zwick 2011).

Customized Training

While customized training is a small program under the Workforce Investment Act, it is a much larger state-funded program, with many states having their own programs. Customized training under WIA involves a close connection between the local American Job Center, an employer, and a worker engaged in training, generally at a community college. For this program, employers are involved in the curriculum design and the training is tailored to the employer's needs. Typically, employers make a commitment to hire the worker upon successful completion of the program of study. Since 2002, the U.S. Department of Labor has increased its investment in this form of customized training.¹⁹ Impact estimates for customized training exceed those for most occupational or skill training (Barnow 2004).

A study of early WIA implementation listed some advantages of customized training reported by local workforce agencies. Customized training costs less than Individual Training Accounts, and it is more targeted to employer needs. It also tends to increase the likelihood that workers will have jobs at the completion of training and may even result in a promotion for them (D'Amico and Salzman 2004).

State-funded customized training is a program by which training is tailored and directed to participating employers. It may be customized in content, schedule, location, and method of training. It is a form of new or incumbent worker training by which current employees receive skills training while they are on the job. State customized training programs are not part of WIA, and they are not provided through local American Job Centers. The state customized training programs are funded with state funds, not federal or local funds. Their most important sources of funding are the state general fund, state bonds, or a supplementary unemployment insurance tax. Most states consider these programs to be part of their economic development strategy rather than a workforce strategy. Customized training is used as an incentive for businesses to locate, remain, or expand in a state. State-funded customized training is generally operated by state economic

development agencies and community and technical colleges, and funding is provided to employers based on direct negotiations between the employer and the customized training agency regarding training programs and funding amounts (Duscha and Graves 2007).

In 2006, 47 states had customized training programs, many of which were large—they spent \$562 million, equal to about 19 percent of total Workforce Investment Act allocations in all states. Incumbent workers received 58 percent of the training slots in 2006, compared with 42 percent for new employees. The states with the largest programs were Iowa, California, Louisiana, and Missouri. Three states did not participate: Connecticut, New Hampshire, and Oregon (Duscha and Graves 2007).

State-funded customized training has had few evaluations, and the evaluations have not been rigorous (Duscha and Graves 2007). An evaluation of the California program found that “(g)iven the multiple barriers to investment in private training, we believe that it is appropriate for states...to step in and provide targeting incentives to those companies and workers who can benefit most from additional training” (Moore et al. 2003). However, Duscha and Graves (2007) express concern about whether customized training is simply a windfall to employers—an employer subsidy, paying them for training that they would otherwise have provided to their employees without government support. These concerns argue for close governmental monitoring so that customized training does not result in “corporate welfare” for some firms.

Both WIA training and state-funded customized training are typically provided to a broad range of the workers in an establishment. Both junior and senior workers and younger and older workers receive customized training. To the extent that such training helps older workers become more effective, however, it helps them to retain their jobs, and it may also make it easier for them to get a new job if they lose their current one. Customized training is given greater prominence in the Workforce Innovation and Opportunity Act than in the Workforce Investment Act. It may

19 In PY 2010, 7 percent of all WIA Adult training was customized training. No similar training program exists for the Dislocated Worker program (U.S. Department of Labor 2011a).

expand considerably after implementation of the new act.²⁰

Supportive Services

Under the Workforce Investment Act, supportive services for adults and dislocated workers include transportation, child care, dependent care, housing, and needs-related payments that are needed for an individual to participate in authorized WIA activities. During the period PY 2007 through 2011, between 8 and 15 percent of dislocated workers received supportive services, and during the same period between 0.1 percent and 0.9 percent of dislocated workers received needs-related payments. For adults during the same period (Social Policy Research Associates 2012), between 6 and 9 percent received supportive services, and between 0.2 and 0.6 percent received needs-related payments. Clearly, these services are not being made available to a significant share of WIA participants.

Needs-related payments provide financial assistance to participants so that they can participate in training. Thus, needs-related payments could play the same important role played by Manpower Development Training Act training allowances when, according to Haber and Murray (1966), the “great majority of insured workers [participating in training drew] allowances.” However, needs-related payments are not often used in local workforce areas for many reasons, including lack of funding. For WIA Adults to be eligible for needs-related payments, they must be unemployed, not qualified or ceased qualifying for unemployment benefits, and be enrolled in training. For WIA Dislocated Workers to be eligible for needs-related payments, they must be unemployed, have ceased qualifying for unemployment benefits (including Trade Adjustment Assistance), and be enrolled in training or be unemployed and not qualified for unemployment benefits (including TAA benefits).

Local workforce areas vary widely in their provision of supportive services, depending, in part, on the availability of supportive services from other organizations, the availability of WIA

funding, and the condition of the local labor market. For example, in Ohio in PY 2010, some local areas provided few or no supportive services while another local area reported providing funds for vehicle repairs, uniforms/tools, child care, glasses, immunization/physical exams, drug screening, transportation, fingerprint/criminal background checks, driver’s education classes, CPR/first aid classes, professional work attire, licensing/certification exams, school supplies, and professional dues (Community Research Partners 2011).

When supportive services are made freely available to unemployed jobseekers, research shows that they are used often. Kirby et al. (2008) found that unemployed jobseekers offered a voucher (a “Personal Reemployment Account”) that could be used freely for training or support services made very little use of training but used the voucher for a wide variety of supportive services. The largest purchases for supportive services were for the following in order of use: vehicles, including mileage; utilities, rent, and mortgage payments; clothing, uniforms, and supplies; and health and other medical expenses.

Supportive services are increasingly seen as an important contributor to success for certain groups reentering the labor market; e.g., ex-offenders (Jenks et al. 2006). However, according to D’Amico (2006), the critical role of supportive services for those enrolled in training has not been widely examined. D’Amico (2006) summarized their use in the Bridges to Work program for low-skilled jobseekers where transportation services and job search assistance helped inner-city job seekers obtain access to jobs in the suburbs. Supportive services appeared to have no effect on participant earnings 18 months after randomization, but the participants who received supportive services were more likely to get jobs with health benefits.

Given the types of purchases made for supportive services, this type of assistance is mostly likely to benefit unemployed workers who have been out of the labor force or unemployed for a long time. Supportive services may be valuable to older

20 Who pays for customized training and how much they pay under the Workforce Innovation and Opportunity Act may vary by local workforce area and state. Under section 3 of WIOA, local boards determine the “significant portion” that employers will pay unless the employer is located in multiple locations; in those instances the governor determines the employers’ contributions.

workers seeking work, but older workers are less likely to use them than other workers.

Thus, supportive services (including transportation assistance and child care) appear to be needed by some groups of jobseekers, especially adults with less work experience. However, supportive services are rarely provided by local areas, because the limited WIA funds tend to be reserved for training services. As a result, supportive services are not a significant

WIA activity, certainly not at the scale they were provided under the Manpower Development Training Act. Section 134 of the Workforce Innovation and Opportunity Act includes as a permissible employment and training activity the provision of supportive services and needs-related payments. While there is the potential for an increased use of supportive services and needs-related payments under WIOA, actual use may depend in part on its promotion through regulation or other policy guidance.

Section 4. Incentives and Subsidies

Public employment policy has used financial incentives to influence the behavior of both employers and workers. Standard terminology refers to a *wage subsidy* as a payment directly to an employer, and a *wage supplement* as a payment directly to a worker. There is less evaluation evidence about the latter, and evidence on the effectiveness of wage subsidies is mixed. If the stock of available job slots is fixed, gains for a targeted group of workers might be achieved only at the expense of another group. Consequently, evaluations of targeted wage subsidies should consider the possibility of “displacement effects.”

Subsidies have been a more politically palatable way to boost labor demand than direct job creation. The problem with subsidies is the stigma employers assign to the targeted group of workers. With subsidies the private sector bears part of the hiring cost by paying the share of wages equal to the expected value of production; the subsidy payment is the extra needed to hire workers expected to be less productive than average. By contrast, no stigma is involved with wage supplements since employers are not aware of the wage supplement payments that go directly to workers. Wage subsidies have been tried as direct cash grants and as rebates through the tax system, but in many cases employers have been cautious about hiring subsidized workers. Wage subsidy programs usually target groups with employment difficulties, so the subsidy must be large enough to compensate employers for hiring someone they would not otherwise have employed. On the other hand, wage supplements paid to jobseekers are appealing because they avoid the possible stigma that might attach to workers for whom employers are offered wage subsidies.

Wage supplements have been offered to older displaced workers through the Alternative Trade Adjustment Assistance (ATAA program—renamed Reemployment Trade Adjustment Assistance during the Obama administration). The ATAA offers a wage supplement to workers age 50-plus that have been displaced by international trade. It is one of many wage

supplements and wage subsidies that have been implemented by the public workforce system and other government agencies. This section discusses the ATAA program in the context of all wage incentive and subsidy programs.

WAGE SUPPLEMENTS

The wage supplement operates to reduce or prevent loss of income to jobseekers who take jobs that pay lower weekly earnings or lower hourly wage rates than the job prior to layoff. The intent is to encourage laid-off workers to be realistic about their earnings prospects on new jobs. A wage supplement is unlikely to induce workers to take jobs that would be unacceptable, but it might encourage them to take satisfactory, but less remunerative jobs, sooner than otherwise. A wage supplement scheme has two major components: the weekly supplement amount and the constraints imposed on either the weekly supplement amount, the total amount of the supplement, or both.

In contrast to wage subsidy programs, wage supplement programs provide financial incentives directly to employees. They typically are targeted at economically disadvantaged populations, who because of a low level of skills or lack of work experience have difficulty finding jobs that pay above a worker’s reservation wage—the lowest amount an unemployed worker will accept. The wage supplement fills the gap between the wage rate an employer would be willing to pay to hire that person and the wage the worker believes he or she must receive to make working worthwhile. When the take-home wage of the employee increases, the labor supply increases, in theory. Wage supplements are typically paid to individuals through the income tax system, as a credit or reduction in their taxes. Although the number of wage supplement programs offered is small compared with wage subsidy programs, wage supplements reach more participants and distribute more money than wage subsidies. In the United States, for example, the Earned Income Tax Credit (EITC) distributes about \$60 billion annually to low- and moderate-income workers

(Magg and Carasso 2013). Eissa and Hoynes (2005) reviewed several evaluations of the EITC and conclude that the income supplement stimulates people to join the workforce, and no evidence suggests that it prompts them to work fewer hours.

New entrants to the labor market and those who recently left other jobs frequently pass up reasonable job offers because they overestimate their value to potential employers. That is, they set their reservation wages unrealistically high. While both the new entrant and the job leaver may bring general skills, neither brings firm specific skills needed in their new place of work. A wage supplement program where the payment is made directly to the worker during the initial period of employment, perhaps 1 year, may help shorten unemployment durations by inducing job searchers to lower their reservation wages. During the period of wage supplement, workers will gain job-specific skills, thereby increasing their value to the firm and qualifying them for any available wage increases. Ideally, by the time the wage supplement expires, a worker's earnings would have risen within the firm. In the meantime, society has benefited from added production, government has gained added tax revenues, and the UI system has saved benefit payments.

ALTERNATE TRADE ADJUSTMENT ASSISTANCE (TAA)

In 2002, a very small wage supplement program was enacted under the Trade Act for some trade-impacted workers. In FY 2012, it served 3,915 Trade Adjustment Assistance-eligible workers representing 3 percent of all TAA participants (Office of Trade Adjustment Assistance 2013). The TAA program provides extended unemployment insurance benefits and job training to workers losing jobs due to foreign trade. The ATAA program is the only TAA program targeted to older workers. It allows workers who are age 50-plus—workers for whom retraining might not be appropriate because of their nearness to retirement—to receive wage supplements if they accept reemployment at lower wages than what they earned at the time of job separation. In a national evaluation of TAA, the take-up of Alternative Trade Adjustment Assistance (ATAA) was quite low during the study period (about 5 percent of eligible participants of the sample) (Schochet et al. 2012). Under ATAA, wage

supplements were paid only for reemployment within 26 weeks and where earnings were below levels on the displaced job. This wage supplement was estimated to speed up reemployment for older workers. The results are only suggestive because the sample was small, participation required quick reemployment, and the amount of the supplement was not included in the earnings computed for participants. Overall, the main unexpected result of the evaluation was the lack of interest in the wage supplement compared with regular TAA benefits (extended unemployment insurance and job skill training). The observed preference for certainty about income replacement over faster reemployment is consistent with evidence from other evaluations of reemployment incentives.

WAGE SUBSIDIES

Among the wage subsidies tried in the United States, some have operated as government programs run through the tax system and others have been operated as voucher experiments. During the late 1970s and early 1980s, the Targeted Jobs Tax Credit (TJTC) allowed employers to reduce tax payments by a fraction of the amount paid to workers hired under the program. TJTC was intended to increase employment among certain targeted disadvantaged groups. Katz (1996) finds a 7 percentage point employment increase for disadvantaged youth for the TJTC program. Hollenbeck and Wilke (1991) find that TJTC increased labor market success of “nonwhite male youth, but is stigmatizing for eligible individuals from other race/sex groups.” This finding that a wage subsidy acts as a stigma also emerged in experimental studies.

A targeted wage subsidy was operated as a field experiment with random trials in 1980–81 by the U.S. Department of Labor in Dayton, Ohio. Burtless (1985) reported “the results show conclusively that workers known to be eligible for targeted wage subsidies were significantly less likely to find jobs than were otherwise identical workers whose eligibility for subsidies was not advertised.” He “speculates that the vouchers had a stigmatizing effect and provided a screening device with which employers discriminated against economically disadvantaged workers.”

Another experiment testing an intervention that amounted to a wage subsidy was not restricted to economically disadvantaged workers, but may

also have stigmatized jobseekers. Woodbury and Spiegelman (1987) report on an employer hiring subsidy (which they call an employer reemployment bonus)—paid directly to the employer—in contrast to the other treatment—a worker reemployment bonus—that they also tested in the same experiment effort. They found that a cash payment to employers for hiring a jobseeker had a negligible effect. The researchers believed that employers might be reluctant to hire workers who present a voucher for payment from the state because it signals that the workers might have “hidden” characteristics that hinder their finding employment without a state subsidy.

Hamersma (2008) examined the effects of the Work Opportunities Tax Credit (WOTC) wage subsidies on employment, wages, and job tenure. Her evaluation, based on Wisconsin administrative data, focused on short-term welfare recipients. She found a positive short-term effect of the subsidy. Hamersma attributes the absence of long-run effects to low rates of participation in the program. The primary earnings gains from WOTC came through the subsidized job itself and not through changes in the worker’s future employment following the subsidized jobs.

Whereas most programs for the unemployed are either income-support or labor-supply enhancing, the wage subsidy is a labor-demand stimulus. An obvious alternative is the wage supplement, which is paid directly to workers. This type of program has even been recommended to help welfare recipients, who might face the most severe stigma, gain reemployment.²¹

REEMPLOYMENT BONUSES FOR JOBSEEKERS

Reemployment bonuses are neither a wage supplement nor a wage subsidy. Rather, they are a different (and cheaper) form of incentive that makes a one-time payment to workers for accelerating their return to work. In response to accumulated empirical evidence that payment of UI benefits prolongs jobless spells modestly,

reemployment bonus field experiments were initiated in four states between 1984 and 1989. These experiments tested the incentive of a cash payment offered to jobseekers for speedy reemployment. Bonus payments were offered to UI recipients who took new, full-time jobs within 6 to 12 weeks of their benefit application and held those jobs for at least 3 to 4 months.

The first experiment was conducted in Illinois during 1984–85 and offered \$500 for reemployment within 11 weeks and retention of employment at least 4 months. The Illinois UI bonus offer was estimated to reduce UI durations an average of 1.15 weeks (Woodbury and Spiegelman 1987). These results spurred the U.S. Department of Labor to sponsor the New Jersey UI experiment in 1985–86. The New Jersey bonus offer amount was tied to a claimant’s remaining UI benefit entitlement with the amount paid declining with the duration of unemployment. These offers were estimated to shorten UI durations by an average of 0.5 weeks (Corson et al. 1989). Between 1987 and 1989 two additional experiments were conducted in Pennsylvania and Washington. Results from these experiments were in line with the New Jersey results and on the order of 0.5 weeks (Decker and O’Leary 1995). Taken together, the results were regarded as modest and barely cost-effective.

To examine whether UI reemployment bonus offers might have bigger effects on beneficiaries with a tendency toward longer unemployment spells, O’Leary, Decker, and Wandner (2005) investigated targeting reemployment bonus offers. The authors used state Worker Profiling and Reemployment Services models to set up simulation samples from the Pennsylvania and Washington experiments. They found that narrow targeting to those most likely to be long-term unemployed was not optimal. The best bonus offer was a low-dollar cash amount with a long qualification period, targeted to the half of profiled claimants most likely to exhaust their UI benefit entitlements.²²

21 See, for example, Lerman (1988).

22 Bruce Meyer (1995) raises a number of valid external validity concerns that pertain to a universally available program to all permanently separated workers. More recently, however, policy proposals—starting with a Clinton administration unsuccessful Reemployment Act of 1994—have suggested using the Worker Profiling and Reemployment Services targeting mechanism to focus a bonus program on a small subgroup of dislocated workers. Meyer’s concerns do not seem to be significant to policy proposals for a small program for which permanently separated workers are uncertain about whether they will be selected using a worker profile approach. See O’Leary, Decker, and Wandner (2005) and Wandner (2010).

Estimates suggest the effects of reemployment bonuses are generally smaller for older workers. The average bonus effects in the Washington experiment for those age 45 and older were one-third to one-half the size of those for under age 45 (O'Leary, Spiegelman, and Kline 1995). However, subgroup analysis of the Pennsylvania experiment

suggested that beneficiaries age 55 and older shortened durations significantly more than prime-age workers in response to high bonus amounts with short qualification periods (Corson et al. 1991). Cash reemployment incentives for older workers remain a viable option for workers age 50-plus.

Section 5. Job Creation

This section discusses Public Service Employment (PSE) and Temporary Assistance for Needy Families (TANF) Emergency Fund–Supported Subsidized Employment Programs.

PUBLIC SERVICE EMPLOYMENT

Public service employment (PSE) is a public policy that provides government funds to temporarily hire unemployed workers in public or nonprofit sectors to perform useful tasks. Large-scale PSE programs were pioneered in the Great Depression. No significant PSE program was adopted until 1971, when the Emergency Employment Act created the Public Employment Program (PEP) as a 2-year pilot. At its crest, the Public Employment Program provided employment to 185,000 persons, 64 percent of whom were white and between the ages of 22 and 44, and 14 percent were 45 or older (Cook, Adams, and Lane Rawlins and Associates 1985). In 1973, two new PSE components were enacted in the Comprehensive Employment and Training Act (CETA), and they became that act's most recognizable program. Expansion of public service employment occurred during the Carter administration and in 1978 exceeded 750,000 participants mostly receiving prevailing wages with an annual budget of \$7 billion (Shapiro 2009). During the program's lifespan, between 51 and 65 percent of the participants were white, and 11 to 16 percent were 45 or older (Cook, Adams, and Lane Rawlins and Associates 1985). Participants in public service employment programs were mostly young and middle-age workers. There were three distinct PSE phases: between 1971 and 1976, PSE programs functioned as a countercyclical intervention; from 1976 to 1978, programs were both countercyclical and counterstructural; and from 1978 to 1981, programs were primarily counterstructural (Briggs 1981).

Policymakers also became concerned about a specific type of job displacement associated with PSE under the Comprehensive Employment and

Training Act called fiscal substitution (i.e., when PSE is used to replace workers who otherwise would be employed by states and localities in unsubsidized government jobs). An econometric assessment of the impacts of PSE conducted for the U.S. Department of Labor in 1974 reached the tentative conclusion that job displacement would be a significant consequence (Nathan 2000). Independent research results were later published clashing over the extent of fiscal substitution by public agencies (Johnson and Tomola 1977; Borus and Hamermesh 1978). Reports of program mismanagement also emerged in the popular media. The National Commission for Employment Policy was charged by Congress to study the net employment effects of PSE and under its auspices. The Brookings Institution (and later Princeton University) conducted the research.

The Brookings-Princeton field-research study of 1977–80 found the displacement effect varied but overall was 18 percent or less, while about 22 percent of the localities reported minor abuses (Cook, Adams, and Lane Rawlins and Associates 1985). Other qualitative studies found similar rates.²³ Moreover, statistical analysis of PSE's impact on salary and wage outlays of large cities indicated that the program had a substantial net positive job creation impact (Cook, Adams, and Lane Rawlins and Associates 1985). On the whole, the Brookings-Princeton study found that \$86 out of every \$100 stimulated the economy by providing salaries (Nathan, Cook, and Rawlins 1981). Cook, Adams, and Lane Rawlins and Associates (1985) concluded that PSE is an appropriate national policy option to increase employment and provides equal opportunity for those able to work and in need of job experience, but it is not appropriate for the seriously disadvantaged or temporarily unemployed. They recommended that PSE should be prescribed for a short period and participation limited to 1 year, with restrictions on wage subsidies from federal funds, and targeted to those capable of holding jobs at the outset of participation.

23 The National Academy of Sciences study estimated the overall displacement rate at about 35 percent, and a Cornell-Mississippi study placed the rate at 25 to 35 percent (Briggs 1981).

O’Leary, Eberts, and Hollenbeck (2011) reported evaluation evidence from a range of studies suggesting that PSE programs are not effective in helping participants find unsubsidized jobs after they leave programs. Nonetheless, PSE appeared to be more effective for adult women than for adult men and youths. No evidence is provided on the effects for 50-plus workers. Evaluation results also indicate that displacement effects can be lessened by narrowing the eligible group to those who are less likely to find regular employment, which conversely decreases the chances of those persons finding unsubsidized employment after completing the program.

The PSE legacy of the 1970s left little political sentiment during the Great Recession to revisit the program. The Obama administration did not pursue direct job creation for the chronic jobless aside from a small Temporary Assistance for Needy Families subsidized employment program. The public regards PSE programs as expensive, coupled with some past evidence of fiscal substitution by public agencies (O’Leary and Eberts 2010). As such, if a modern-day PSE program were developed for jobless older workers, the public jobs should be temporary and similar to their prior unsubsidized jobs.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF²⁴) EMERGENCY FUND-SUPPORTED SUBSIDIZED EMPLOYMENT PROGRAM²⁵

A TANF Emergency Fund (EF) was created under the American Recovery and Reinvestment Act of 2009 that provided \$5 billion over 2 years for increased state or federal TANF spending to aid TANF-eligible families with children, including subsidized employment; 39 states, the District of Columbia, Puerto Rico, the Virgin Islands, and eight Tribal TANF programs (Pavetti, Schott, and Lower-Basch 2011) invested \$1.3 billion²⁶ in

subsidized employment programs that employed 260,000 low-income adults and youths. The “TANF EF covered 80 percent of the state’s increased costs...and states covered 20 percent of the increased expenditures from other fund sources” (ibid). Unlike previous subsidized employment programs that mostly relied on public employment, the TANF EF programs used the private industry in creating job opportunities (Roder and Elliot 2013). Programs “targeted for adults operated in 33 states; for youth in 24 states and the District of Columbia; and 19 states for both adults and youth” (Pavetti, Schott, and Lower-Basch 2011). The TANF EF expired in September 2010.

Two major evaluations of the TANF EF-supported subsidized employment program were conducted. The first study (Pavetti, Schott, and Lower-Basch 2011) was based on a telephone survey of subsidized employment programs that were funded in whole or in part with TANF EF funds. The second study (Roder and Elliot 2013) was based on state administrative data from five locations: Florida, Los Angeles, Mississippi, San Francisco, and Wisconsin.

According to Pavetti, Schott, Lower-Basch (2011), most states subsidized 100 percent of wages.²⁷ The majority of states paid participants the prevailing wage for the jobs for which they were hired, while some states set a maximum wage rate for which they would provide reimbursement. Almost all states subsidized wages for up to 40 hours per week. Subsidized employment programs lasted from 4 to 18 months. Pavetti, Schott, and Lower-Basch (2011) found total subsidized costs for a placement of 6 months or less “ranged from \$2,000 in Texas to \$23,849 in Florida....The cost of fully subsidizing the wages and all payroll costs for a full-time job paying \$10 per hour for six months [was] \$12,226”; in Wisconsin, the average

24 While most states included TANF as an optional partner in the WIA One-Stop delivery system, under section 121 of the Workforce Innovation and Opportunity Act, the TANF program authorized under part A of title IV of the Social Security Act is a required partner.

25 Much of this section is drawn from two studies: Pavetti, Schott, and Lower-Basch (2011) and Roder and Elliott (2013). The two studies are available online through common web browsers, and should be consulted for other programmatic insights outside the purview of this report.

26 The residual \$3.7 billion in the TANF EF was approved to cover increased costs linked to categories (1) and (2).

27 See Pavetti et al. (2011) for exceptions from this study.

cost per placement was \$7,913 (Roder and Elliott 2013).²⁸

In the study sites, the percentage of those age 50-plus was no greater than 8 percent. In Florida, participants younger than “age 50 experienced greater increases in employment and earnings outcomes than those who were age 50 and older” (Roder and Elliot 2013), while in Los Angeles participants “who were under age 50 were more likely to be employed in the fourth quarter post-program than those who were age 50 and older.” In San Francisco, participants “under age 30 had greater increases in employment and annual earnings than those who were age 30 and older” (Roder and Elliot 2013), while in Mississippi the only “significant difference in outcomes by age was participants age 50 and older had a greater increase in annual earnings than workers under age 30” (Roder and Elliot 2013). In Wisconsin, “no significant differences were found in employment outcomes by participants’ age” (Roder and Elliot 2013).

A key Roder and Elliott (2013) finding was that subsidized employment programs can have a positive impact on low-income jobseekers’ employment and earnings. Moreover, Roder and Elliott found employers retained 37 percent of the subsidized workers after the program ended, and the most common reasons given for not retaining workers were poor attendance and other performance issues, which are not issues usually associated with most older workers. Pavetti, Schott, and Lower-Basch (2011) summarize lessons that can be drawn from states’ experiences. They note, among other things, that “large-scale, countercyclical job creation programs can quickly” be stood up despite challenges, and can gain participation of the private sector in creating job opportunities; and “collaboration, and subsidized employment programs can be administered at reasonable cost.” Both the Roder and Elliot (2013)

and Pavetti, Schott, and Lower-Basch (2011) studies show that a subsidized employment program can perform well. On the whole, the programs appeared particularly beneficial to long-term jobseekers (i.e., those unemployed for more than 6 months) (Roder and Elliott 2013).

The reasons for the apparent success of the TANF EF–supported programs compared with the perceived failure of the PSE programs of the 1970s are not clear. Perhaps the limited scope and duration of the TANF EF–supported programs compared with the well-funded, decade-long national PSE programs that operated at many governmental and nongovernmental levels contributed to the difference in perceived success. Additionally, the TANF EF–supported programs targeted the unemployed of low-income families, and PSE programs employed both dislocated and disadvantaged workers. Certainly, media and political attention generated by the TANF EF–supported programs was miniscule compared to that of the PSE program.

Interestingly, both programs were successful according to post-program evaluations, but it may be the disadvantaged were less successful in PSE because they were placed in jobs at the wrong times and organizations, and did not receive the coaching and guidance needed to become successful. Section 134 of the Workforce Innovation and Opportunity Act allows state and local areas a limited use of funds to subsidize “transitional jobs” for a limited period in public, nonprofit, or private sectors for “individuals with barriers to employment who are chronically unemployed or have inconsistent work histories.” In some instances, demonstration results using transitional jobs have been successful. The extent that transitional jobs are used under WIOA, characteristics of the participants, and outcomes should be important to policymakers.

28 We offer a thumbnail method to calculate federal ARRA TANF EF program costs absent other state costs: divide the TANF EF–supported allotments to states (\$1.3 billion) by the number of participants employed in subsidized jobs (260,000) resulting in a quotient of \$5,000 of estimated wage costs per employed participant. Based on our experiences, this per-participant cost is comparable to the per-participant training cost under WIA.

Section 6. Program Tradeoffs and Policy Options

PROGRAM TRADEOFFS

This report has looked at a variety of employment services (including job search assistance and reemployment services), training, employment and hiring incentives, and job creation approaches. Only two programs—the Senior Community Service Employment Program and the Alternative Trade Adjustment Assistance Program—are currently targeted exclusively to older workers. Based on participants served, the first is a small program and the second is tiny. For older workers to receive employment assistance from the public workforce system, they usually must (and do) turn to the two major employment and training programs: the Employment Service and the Workforce Investment Act programs.

A great number of unemployed workers, including older workers, receive employment and reemployment services. Most of these services are provided by the state Employment Service, and public and private sector providers funded through the Workforce Investment Act. Because of limited resources, public workforce programs mostly provide inexpensive employment services, while only providing training, which is more expensive, to a small number of workers—approximately 200,000 to 300,000 per year.

Generally, the inexpensive employment and reemployment services—often called job search assistance—have been found to be most cost-effective as offered in the United States and around the world, particularly when targeted to dislocated workers. For example, a synthesis study by the U.S. Department of Labor’s Chief Economist Office found that job search assistance is generally more cost-effective than training (U.S. Department of Labor 1995). Similarly, international synthesis studies conducted by both the Organization for Economic Cooperation and Development (OECD) and the International Labor Organization found that job search assistance is the most cost-effective workforce development service (Martin and Grubb 2001; Auer, Efendioglu, and Lescheke 2005).

Funding for job search assistance services is very limited. For several decades, Employment Service budgets have been reduced in dollar terms, with funding in real terms declining much more rapidly. As a result of reduced Employment Service budgets, fewer workers receive staff-assisted services, and Wagner-Peyser Act funds have increasingly been used to maintain and expand self-services systems that make use of automated programs accessed remotely through personal computer devices or work stations located in resource rooms at local American Job Centers. Meanwhile, the capacity to provide staff-assisted interviewing, counseling, and job development services statewide has declined sharply. It remains to be seen whether combining WIA core and intensive services as “career services” under the Workforce Innovation and Opportunity Act will result in greater service accessibility to jobseekers and unemployment insurance claimants.

Some of the dysfunction in the public workforce system may be structural. The public workforce system supports two separate systems: a decentralized Workforce Investment Act configuration of some 561 local Workforce Investment Boards and 54 state-run Employment Service structures, including in the U.S. territories. The Workforce Investment Act system serves local needs, whereas the Employment System structure under the Wagner-Peyser Act has a statewide mandate with perhaps less variation in intrastate and interstate employment services. In a number of instances and for various reasons, states are in the process of addressing this apparent structural defect.

Nine states have already eliminated all local Workforce Investment Boards, becoming “single WIB states” in which the Workforce Investment Act is administered by the state WIBs located in the state capitals (Wandner forthcoming). In addition, a recent survey of state workforce agencies (Wandner 2013a) reveals that some 20 states are considering workforce development system changes, including consolidating local boards into a single statewide board or a reduced

number of boards and other workforce federalism shifts in state and local areas. The Workforce Innovation and Opportunity Act recognized the structural dysfunction in the public workforce system. Section 106 requires that governors identify economic regions and local areas to coordinate planning and service delivery on a regional footing (U.S. Department of Labor 2014d). In the future, it will be interesting to see if governors continue to reduce the number of local workforce areas as they pursue statewide economic development strategies.

Skill and occupational training programs have been of uneven effectiveness, but consistently have been most effective when administered as targeted classroom training, on-the-job training, and customized training. Nonetheless, little is known as to why one training intervention works better than another. The Organization for Economic Cooperation and Development (1999) speculated that some reasons for the lack of training success may include how well participants are steered toward in-demand occupations, whether training is long enough to affect subsequent earnings growth, the quality of the curriculum, and inadequate linkages to other services (e.g., supportive services).

Overall, public workforce programs are struggling with limited budgets. A key public policy issue is how to allocate scarce public workforce dollars. Workforce development program budgets can go further when spent on lower-cost interventions. While comprehensive job search assistance tends to cost between \$300 and \$400 per person, average training costs are at least 10 times as much. Given the finding that job search assistance tends to be more cost-effective than skill and occupational training, policymakers need to consider its implications.

POLICY OPTIONS FOR WORKFORCE DEVELOPMENT PROGRAMS

Action is needed to improve the public workforce services offered to older workers, in part because older workers need more person-to-person services and because it takes longer to counsel and place many older workers (U.S. Congress 1981). No adjustment has been made for the fact that older

workers have been a growing segment of the U.S. workforce, with their labor force participation rate growing steadily since the mid-1990s. This section considers policy options for workforce development programs to improve outcomes for the population in general and for older workers in particular. The policy options go beyond changes to the public workforce system embodied in the Workforce Innovation and Opportunity Act.

Employment Services

To increase person-to-person employment services in the American Job Center Network and address other service issues encountered by older jobseekers, the public workforce development system could do the following:

- » Reduce the reliance by state and local American Job Centers on automated self-services for older job seekers by increasing assessment services, including screening and counseling, staff-assisted job referrals, and job search assistance. The first reemployment service provided to permanently unemployed claimants, many of whom are older workers, should be referrals to suitable jobs (U.S. Department of Labor 1997). Claimants who are referred to jobs—even if those referrals do not result in placement—ultimately have better wage gains than those who are not referred to jobs (Johnson, Dickinson, and West 1985; Jacobson and Petta 2000).
- » Increase the use of “high-touch” staff-assisted services, which for many jobseekers are more effective than “high-tech” automated services like computer job listings. At a minimum, older jobseekers who are not successful using automated systems should receive staff assistance if needed. While increasing the use of staff-assisted services for older workers might reduce the availability of American Job Center staff for other jobseekers, the effect on employment is likely to be small because ordinary and customary self-services would remain available for all jobseekers.
- » Establish staff positions in American Job Centers for Older Worker Representatives to assist older job seekers.²⁹ Older workers who

29 A new amendment to the Wagner-Peyser Act contained in the Workforce Innovation and Opportunity Act might facilitate establishing such staff positions. New section 303(4) requires the Secretary of Labor to strengthen the capacity of state ES staff to provide job finding, placement, and career guidance services.

are jobless or underemployed and looking for better jobs require more assistance than the automated self-services can provide. For many years, AJCs have been provided special federal funds to serve other target groups, such as veterans, individuals with disabilities, and migrants and farmworkers. We suggest targeted funding with a new twist. Fund states to hire full-time Older Worker Representatives stationed in AJCs. Unlike set-aside funds of the 1980s targeted to older workers who were economically disadvantaged, these new staff positions would serve all older workers seeking employment. Similar to the projects launched under the short-lived Aging Worker Initiative (Kogan, Khemani et al. 2013) sponsored by the U.S. Department of Labor, older workers should benefit from these Older Worker Representatives who offer support, encouragement, and a pathway to other services.

An Older Worker Representative initiative might be implemented through demonstration projects, but this already occurred under the Aging Worker Initiative. Rather, the U.S. Department of Labor could institute Older Worker Representatives through a competitive grant process authorized under the Wagner-Peyser Act to provide funds to establish state staff positions. State Employment Service grant applications would determine where these staff members were most needed. Annual competitive grant submissions could be set up similar to the U.S. Department of Labor's successful Reemployment and Eligibility Assessment initiative. This initiative has provided approximately \$64 million yearly in competitive grants to states. An Older Worker Representative initiative might provide a similar amount to states with the best plans. An evaluation would determine if the Older Worker Representative initiative is effective and should be expanded.

- » Increase the use of job clubs for older workers, including more evidence-based demonstration research. While job clubs have been found to have significant positive impacts on older workers (Gray 1983), that rigorous experimental evaluation was conducted long ago and on a small scale. A new demonstration should be conducted on a larger

scale. The evaluation of the demonstration would determine its cost-effectiveness. It appears that facilitated and staff-assisted job matching alone will not result in jobs for many workers. In the late 1990s, the U.S. Department of Labor (1997) issued policy recommendations to improve ES services, one of which was to increase the use of job clubs for WPRS claimants—permanently separated workers who tend to be older. While reduced ES funding does not permit most states to make greater use of job clubs, temporary federal funds available during the Great Recession appear to have increased their use in some states; however, the systemic use and the net impact of job clubs has not recently been studied.

Experience tells us that job clubs are needed because they emphasize networking and help jobseekers get in the door for interviews at firms where there are “hidden job openings.” Some Senior Community Service Employment project directors indicate that the use of job clubs provides proactive support for participants seeking employment, but not all projects used job clubs (Kogan, Betesh et al. 2013). Older jobseekers have much to share with each other through peer-to-peer-support networking. Therefore, we would build on a recommendation made by Kogan, Betesh et al. (2013) to increase the use of job clubs for all permanently separated older workers. A large-scale national demonstration project should be undertaken to estimate the net benefits of job clubs for older workers.

- » Increase funds for reemployment services to Worker Profiling and Reemployment Services and Reemployment and Eligibility Assistance claimants. Neither the state WPRS systems nor the Reemployment and Eligibility Assistance initiative currently provide funds for required reemployment services provided to unemployment insurance claimants. These two programs serve permanently unemployed claimants, who tend to be older workers. State Wagner-Peyser Act Employment Service staff provide the bulk of services to these claimants. We recommend that the U.S. Department of Labor increase Wagner-Peyser Act funds for reemployment services. At least \$300 million per year would be required to provide

reemployment services to approximately 835,000 Worker Profiling and Reemployment Services and Reemployment and Eligibility Assistance claimants, many of whom would be older workers. This recommendation would require a substantial appropriation increase in the Wagner-Peyser Act program budget.

- » Given the strong past labor force attachment of older workers, increase doses of staff-assisted employment services.

Training

With training slots available for only 200,000 to 300,000 Workforce Investment Act Adults and Dislocated Workers per year because of high training costs relative to other workforce services, few older WIA participants can expect to receive one of the limited numbers of Individual Training Accounts.

- » Short-term, untargeted training is not likely to benefit older workers. While some might benefit from longer-term training accompanied by a training allowance, neither is generally available.
- » Nonetheless, for older workers who need training, it should be targeted, and targeted training could be more successful if the training were concentrated in
 - High-demand and high-return occupations, as required by the Workforce Investment Act, especially in areas such as math, science, and health services.
 - On-the-job training that can result in employment with significant earnings.
 - Customized training for employed older workers that can improve skills and may increase earnings.

Older displaced workers can achieve significant benefits in the form of increased earnings from training targeted to high-return, high-demand courses and programs. If older workers enroll in high-return courses, they can expect to achieve improved employment and earnings outcomes.

- » Such targeted training is likely to be more beneficial to older workers, and also to a broad range of workers. Targeted training is likely to be short-term training—with

durations of 3 months or less—unless perhaps Manpower Development and Training-type training allowances are established that provide income support for longer periods in amounts that are equivalent to unemployment insurance benefits. Greater use of other supportive services (e.g., transportation allowances, child or elder-care assistance) for some older workers also would improve their likelihood of completing training programs. Increased state flexibility in providing supportive services is contained in the Workforce Innovation and Opportunity Act.

- » Training Allowances: The wide use of Manpower Development and Training Act training allowances compared with Comprehensive Employment and Training Act, Job Training Partnership Act, and Workforce Investment Act may account in part for the high percentage of participants under the Manpower Development and Training Act who complete their course work or onsite job training, and get jobs. Under the Workforce Investment Act, the sparing use of supportive services and needs-related payments may account in part for reduced training completion rates.
- » Better assessment services including interviewing, testing, and counseling would more effectively screen participants for referrals to training in high-demand occupations and produce higher completion and employment rates.

Incentives, Subsidies, and Job Creation

Findings from an analysis of two reemployment bonus experiments to induce unemployment insurance beneficiaries to return to work early suggested that older workers may benefit from the cash incentives. Wage subsidies paid to employers to hire targeted groups of workers have generally proven to have low success in promoting transition to unsubsidized work for the targeted group. Evaluators have cited stigma effects of the subsidies on targeted workers. Wage supplements promote job acceptance without stigmatizing workers in the view of employers. Funding should be provided for small state-level, randomized controlled trials on the effectiveness of wage supplements.

Senior Community Service Employment Program

- » While the Senior Community Service Employment Program has provided subsidized employment to about 100,000 older workers annually, the program has not been rigorously evaluated. A national evaluation using a comparison group design should be conducted to assess impacts of the program. The evaluation should also include an implementation analysis that could suggest best practices for improving the program. Such an evaluation would complement a recent process and gross outcome analysis that identified some best practices to increase the rate of transition to unsubsidized employment. Usefully, section 169 of the Workforce Innovation and Opportunity Act encourages the Secretaries of Labor, Education, and Health and Human Services to conduct studies on improving the employment prospects of low-income, low-skilled older workers (U.S. Department of Labor 2014d).

Reemployment Bonuses

- » Based on prior research findings, new field demonstrations and a rigorous experiment should be conducted to examine the outcomes and impacts of a reemployment bonus for older workers. Such demonstrations would include multiple treatments, including one treatment that provides staff-assisted counseling, job search assistance and placement services to measure improvements in job matching.

Public Service Employment

- » Evangelist and Christman (2013) called for a large-scale, temporary public employment program, arguing that it would quickly reemploy millions of jobless people and help localities. They cited Phillip Harvey (2011), who estimated that a 24-month, \$100 billion public employment program could directly hire 2.1 million workers and increase indirect private employment by almost 500,000 additional workers.

Any exploration of direct job creation targeted to long-term jobless people should consider evaluation findings from past programs. Policymakers could strengthen their knowledge about these programs by implementing a targeted countercyclical Public

Service Employment demonstration project during the next recession. The design of such a demonstration project should consider the program impact of public service employment on various demographic groups, including older workers.

Temporary Assistance for Needy Families Emergency Fund (TANF EF)-Supported Subsidized Employment Program

- » Consideration should be given to conducting an evidence-based demonstration project similar to TANF EF-Supported Subsidized Employment Programs, but limited to older workers. Such a demonstration could help determine whether the results of TANF EF-supported subsidized employment programs can be replicated for this broader target group, and the new information could provide critical information to policymakers.

Improved Data and Expanded Program Eligibility

- » One problem is that data collection on older workers is limited and inconsistent, making it difficult to analyze how programs affect an older population and its subgroups. For example, the Wagner-Peyser Act Employment Services system collects data only on the number of job seekers age 55 and older who use American Job Centers, historically averaging about 10 percent. We do not have consistent data with respect to other age cutoffs for all workforce development programs.

The U.S. Department of Labor should collect and publish data with a greater number of age breakouts to allow more comparison of data between workforce programs and to permit better analysis of program outcomes. According to the Workforce Innovation and Opportunity Act, data in state and local area reports are to be disaggregated by age.

- » Another problem is that over time and among workforce development programs, the chronological age for mature or older workers varies—ranging from age 35 and up. What is known is that some dislocated workers, who tend to be older, have a difficult time in securing new employment. Perhaps the chronological age of an older worker is not as crucial to obtaining targeted job finding,

placement services, or training as his or her circumstances.

Older worker programs should also consider eligibility at an earlier age. The literature on workforce development programs does not lead to the recommendation of a specific chronological age, but perhaps age 40 and older would be a starting point for a policy discussion.³⁰ Program eligibility should reflect difficulty in finding a job and should permit more refined subgroup analyses by age.

We conclude with a summary review of the Workforce Innovation and Opportunity Act. Administrative responsibility among federal, state, and local workforce agencies contained in the Workforce Investment Act of 1998 was retained in WIOA. Congress reaffirmed the role of governors in administering unemployment insurance and employment services statewide through state workforce agencies, and local control of job training administered by public and private agencies—with all services to jobseekers, claimants, and employers delivered at AJC. The Workforce Innovation and Opportunity Act establishes unified strategic planning across core programs, streamlines membership of business-led state and local boards, adds flexibility to provide incumbent worker and transitional jobs, and promotes on-the-job training. The new federal law requires states to identify economic regions that align with workforce investment areas, which

over time may reduce fragmented governance. Career pathways and sector partnerships are promoted to increase employment in in-demand jobs.

To help communities target services to jobseekers, WIOA allows 100 percent funds transfer between Adult and Dislocated Worker programs, enables direct referrals to training, requires co-location of the Wagner-Peyser Act Employment Service at American Job Centers, and adds the Temporary Assistance for Needy Families program as a mandatory partner at American Job Centers. Priority for services for those with employment barriers includes older workers. Data for subpopulations, performance indicators for core programs, and service providers' outcomes must be made public. The Secretary of Labor is required to establish performance indicators for services to employers and a common identifier for the public workforce system (U.S. Department of Labor 2014e).

The extent to which outcomes for older jobseekers will improve under WIOA is likely to depend as much on federal regulations, state and local implementation, economic conditions, funding levels, and other policy considerations as the specific reforms embodied in the law. This report suggests a number of improvements to the public workforce system that target older workers and extend beyond the new federal law.

30 Note that 40 is the age used in The Age Discrimination in Employment Act of 1967, which protects individuals 40 years of age and older from discrimination on the basis of age in hiring, promotion, discharge, compensation, or other conditions of employment.

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Appendix I. Overview of Public Workforce Development Policy³¹

Workforce development policy in the United States since the Great Depression consists of two interrelated public policy themes: (1) consistency in public programs for employment services, unemployment insurance, and job training; and (2) periodic changes in intergovernmental arrangements for public administration of these programs. Below is a concise history of these two policy themes. We follow these through different periods of federalism to explain why the present-day workforce development system operates the way it does. This synopsis provides the framework for our detailed review of selected workforce development programs and their effectiveness, as well as our recommendations to better serve older workers.

The public workforce system of 2014 is highly complex. It includes three levels of government—federal, state, and local—and the private sector, both nonprofit and for-profit entities. Appreciation of the 80-year evolution of workforce development policy requires exploring federalism’s competing ideologies: four decades of centralized government to meet the challenges of the Great Depression and post-World War II periods; and the past four decades of decentralized government, dubbed “New Federalism,” which shifted power to state and local authorities.

PUBLIC EMPLOYMENT SERVICES

During the Great Depression, direct federal intervention established a federal-state employment service structure under the Wagner-Peyser Act of 1933. These employment services helped revitalize a failing U.S. economy by providing states with federal grants-in-aid to set up state government-run systems of public employment offices operated by state government employees. During the 1930s, unemployed workers were referred to private job vacancies

and, as a last resort, to public works projects. States established state Employment Service (ES) agencies through state laws in order to receive federal grants for administration. Except during World War II, when state ES agencies were federalized to recruit labor for industrial defense production, the state ES has remained a federal-state partnership program.

COORDINATION OF THE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE PROGRAMS

The Social Security Act of 1935 instituted a federal-state unemployment insurance (UI) program under the identical state-government structure established for ES under the Wagner-Peyser Act. States receive grants-in-aid to administer UI laws, and payment of unemployment benefits is made through state agencies. State ES agencies are charged with administering the “work test” for UI whereby to qualify for benefits claimants must be able to work, be available for suitable work, and must register for work (in most states). Both ES and UI programs are administered by state agencies under the control of state governors, and state employees hired under state merit standards deliver services to jobseekers and UI claimants. The Servicemen’s Readjustment Act of 1944 (i.e., the “GI Bill”) provided veterans with employment services, unemployment benefits, and education allowances. Under the GI Bill, unemployed veterans were entitled to unemployment benefits (i.e., \$20 weekly for a maximum of 52 weeks), and ES was mandated to provide counseling and referrals to jobs and other services. Between 1946 and 1962, state ES agencies were the sole public employment agencies designed to meet the public labor exchange (i.e., job matching) needs of employers and jobseekers.

31 Portions of this section are based on Balducchi and Spickard (2003) and Balducchi and Pasternak (2004).

CREATIVE FEDERALISM AND MANPOWER POLICY

With military demobilization after World War II, federal policy shifted to providing job referrals and employment services to returning veterans and to various other target groups as well as to the funding of job training to the civilian workforce. During the 1950s, America began to address the problems of race inequality, poverty, and job dislocation resulting from automation—substituting manual labor with machinery or other processes—and international trade. Early job training programs (referred to as manpower programs) were contained in the Area Redevelopment Act (ARA) of 1961³² and the Manpower Development and Training Act (MDTA) of 1962. Under both ARA and MDTA, state ES agencies were assigned responsibility for (1) designating areas of high unemployment, (2) analyzing the local labor market to determine suitable occupations for training, and (3) selecting and referring jobseekers to local public and private training providers. The Trade Adjustment Assistance program also provided enhanced training allowances, employment services, and job training to workers displaced as a result of international trade policies. In 1964, President Johnson declared an “unconditional war on poverty” and under the Economic Opportunity Act, the federal government–initiated job training programs in local areas to help disadvantaged workers. Federal grants for training were provided at substate levels, often bypassing state governments. Localities administered most manpower programs through grants-in-aid, and the job matching role of state ES agencies was de-emphasized.

NIXON NEW FEDERALISM

During the 1970s, President Nixon reduced federal grants-in-aid and replaced them with block grants to state and local governments, with the intention of decentralizing welfare and workforce development programs. This

approach became known as New Federalism, a type of governance that exalts state and local control over federal control. In 1973, Nixon signed into law the Comprehensive Employment and Training Act (CETA).³³ This act provided for the initial distribution of job training funds through block grants to about 485 local entities, called “prime sponsors,” and established a public service employment (PSE) program. Prime sponsors were responsible for administering the delivery of job training through public and private agencies. Decisions about how subcontracting and coordination with state ES and UI agencies were to be accomplished were left to local areas. A new and sometimes uneasy relationship was established between state ES and UI agencies on the one hand and local prime sponsors on the other.

In 1978, as part of the renewal of CETA, President Carter supported the Nixon decentralized, local control approach to job training. Under Carter, prime sponsors were encouraged to establish Private Industry Councils, which included business representatives to oversee job training priorities and promote employment. Carter’s workforce development policy embraced Nixon’s New Federalism, ratifying a bipartisan preference for decentralized governance.

REAGAN NEW FEDERALISM

The goal of Reagan’s New Federalism was to devolve the federal role in social programs. Reagan was ideologically opposed to not only centralization of the New Deal and Great Society programs, but also the decentralization of the Nixon’s New Federalism programs. Dissatisfaction with CETA led to enactment in 1982 of the Job Training Partnership Act (JTPA), a version of job training that reduced federal authority. Under JTPA, state governors were required to distribute through a federal formula most job training funds to local entities, leaving them with reduced authority. Local prime sponsors were reorganized into some 627 “service delivery areas,” and

32 Twice during his administration, President Eisenhower vetoed bills to provide for economic development and job training in depressed areas. President Kennedy signed the Area Redevelopment Act in May 1961, and it provided, among other things, civilian job training in economically depressed areas.

33 On December 16, 1970, Nixon vetoed the Employment and Manpower Act of 1970, a workforce development bill that reformed the MDTA system and included a generous PSE program. At the time, Nixon objected to a PSE program that he believed created dead-end public jobs. Three years later Nixon did not object to a PSE program under CETA because the Act featured local-run block grants for job training and other reforms.

training continued to be delivered by public and private agencies. Amendments to the Wagner-Peyser Act in JTPA shifted additional ES authority to states and eliminated much of the federal involvement in the planning and administration of state ES and local job training programs.

CLINTON'S THIRD WAY WORKFORCE DEVELOPMENT REFORM

Between 1994 and 1998, Congress considered three major workforce development reform bills, each of which included the establishment of state and local One-Stop delivery systems to consolidate distribution of workforce development services. The first two bills failed to pass and in May 1996, President Clinton endorsed local control of job training programs and continued state control of federal-state Employment Service grants-in-aid to administer statewide public employment services, and state control for the approval of local job training plans. Clinton also backed local board control of One-Stop centers and proposals to allocate most job training funds to local areas for adults, dislocated workers, and youths. Based on these principles, the Workforce Investment Act of 1998 (P.L. 105-220) was enacted.

WORKFORCE DEVELOPMENT PROGRAMS 2014

Over the years, there has been remarkable stability in the character and structure of UI and ES programs. State-run ES agencies provide public employment services to jobseekers statewide and state-run UI agencies administer unemployment benefits to the unemployed statewide. Similar to previous training structures, each local Workforce Investment Board contracts for services with public and private entities in each local area to provide employment services (referred to as WIA core and intensive services)³⁴ and job training. The expected increase in funding that would have allowed the One-Stop centers to truly provide comprehensive, one-stop services never occurred. State-run ES and local-run WIBs deliver employment services, the former with state government employees and the latter with contracted public and private employees in American Job Centers. Generally, ES and WIA deliver employment services in urban areas while ES, due to its statewide mandate, delivers the bulk

of employment services in rural areas. This dual arrangement has caused policy tensions in some locations.

The federal laws that authorize the state-run ES program (Wagner-Peyser Act) and the state-based UI program (Social Security Act) are permanently authorized. Federal laws authorizing job training (MDTA, CETA, JTPA, and WIA) all have been temporary, containing sunset provisions. Authorization for WIA expired in 2003; since then, the federal law has been renewed year-to-year through annual budget appropriations. Section 136 of the Workforce Innovation and Opportunity Act of 2014 authorizes appropriations for 6 fiscal years beginning in 2015 for youth, adult, and dislocated worker programs. The new federal job training law largely maintains the structure and character of UI, ES, and training programs, with moderate reforms that may usher in a new era of workforce development collaboration.

The apportionment of power, authority, and control of grants-in-aid for workforce development between governors and local entities established by the Nixon administration in 1973 remains intact, albeit under WIA more control was provided to governors in determining the makeup of local programs, partners in AJCs, and other matters. This is likely to continue under the Workforce Innovation and Opportunity Act. Federal grants-in-aid for ES and UI are controlled by state workforce agencies. State governors distribute by federal formula most of the federal job training funds for adult, dislocated worker, and youth programs to WIBs. The designation and makeup of local areas and local governing bodies also have by and large remained unchanged since 1973, whether they are called prime sponsors and planning councils (CETA), service delivery areas and Private Industry Councils (JTPA), or workforce investment areas and WIBs (WIA). A continuing decline in WIA funding, however, has encouraged states to reduce the number of WIBs by consolidation, even creating some single-WIB states.

Table A-1 describes the evolution of selected federal workforce development laws and program features.

34 These services were re-designated as "career services" under section 134 of the Workforce Innovation and Opportunity Act.

TABLE A-1. U.S. Public Workforce System: Selected Federal Laws and Program Features (1933-2014)

Selected Federal Laws*	W-P Act ES	SSA UI	MDTA	TAA	CETA	JTPA	WIA	Federalism	Governance/Jurisdiction
Year Enacted/ Status**	1933 amended P-Active	1935 amended P-Active	1962 Sunset	1962/1974 amended T-Active	1973 Sunset	1982 Sunset	1998 T-Active		
Target Group/ Condition	Jobseekers, Employers	Jobless Workers	Poor Areas	Trade Impact Layoffs	Adults, Youth, Dislocated Workers				
Unemployment Benefits		X						Federal-State	State Workforce Agency (formerly SESA): Statewide
Labor Exchange, Job Search Assistance (JSA)	X							Federal-State	State Workforce Agency: Statewide
Occupational, Skill, Customized, On-the-Job, and Other Training			X	X				Federal-State	State Workforce Agency: Statewide
					X		X	Federal-Local	Prime Sponsor Planning Council: Prime Sponsor
						X			Private Industry Council: Service Delivery Area
							X		Workforce Investment Board: Workforce Investment Area
Core and Intensive Services, includes JSA						X	Federal-Local	Workforce Investment Board: Workforce Investment Area	
Training Allowances			X	X				Federal-State	State Workforce Agency: Statewide
Public Service Employment					X			Federal-Local	Prime Sponsor, Program Agent: Local Authority

*Major Federal Workforce Development Laws

Wagner-Peyser Act (W-P) Act, Employment Service (ES)

Social Security Act (SSA), Unemployment Insurance (UI)

State Workforce Agency [formerly State Employment Security Agency (SESA)]: UI and ES Components

Manpower Development Training Act (MDTA)

Trade Adjustment Assistance (TAA), Trade Readjustment Allowances (TRAs), Trade Expansion Act/Trade Act

Comprehensive Employment Training Act (CETA); Job Training Partnership Act (JTPA); and Workforce Investment Act (WIA)

** Status of Laws – Permanent (P), Temporary (T)

Appendix 2. A Brief History of Federal Training Programs

The public workforce system has administered national training programs under four federal laws starting in the 1960s—the Manpower Development and Training Act (MDTA), Comprehensive Employment and Training Act (CETA), Job Training Partnership Act (JTPA), and Workforce Investment Act (WIA). The Workforce Innovation and Opportunity Act of 2014 (effective July 2015) marks the fifth federal training law enacted, and the first such law of this century. Below are descriptions of the earlier federal laws and their treatment of older workers.

MANPOWER DEVELOPMENT AND TRAINING ACT

The enactment of MDTA advanced “manpower policy” by initiating the first nationwide program for training (U.S. Department of Labor 1965). The MDTA program was administered as an intergovernmental partnership with the states. Initially, funds were provided for dislocated workers, but with the enactment of the Economic Opportunity Act in 1964, the emphasis shifted to alleviating poverty and included training disadvantaged adults and youth.

The MDTA program provided both institutional and on-the-job (OJT) training. During the program’s life, the percent of MDTA participants who were older was low. For example, during fiscal years (FY) 1969–1972, the percentage of participants age 44-plus who received institutional training was 9.5 percent and those of the same age group who received OJT was 11.1 percent (Perry et al. 1976).

Much of the training provided under MDTA was long-term training of 3 months or longer

(Main 1966). The MDTA showed that long-term training was possible if training allowances were made available. During its 10 years of operation, a total of 1.7 million individuals enrolled in training and 1.1 million disadvantaged and non-disadvantaged MDTA participants completed training, with many eligible for stipends in the form of unemployment insurance–type weekly allowances (U.S. Department of Labor 1965). Of those who completed training, 879,000 obtained post-training employment, with over 50 percent having received on-the-job training. While the act was in effect, 64.7 percent of training participants completed training programs, and 79.9 percent of completers got jobs (Mangum 1973).³⁵ According to Haber and Murray (1966), the “great majority of insured workers [drew] training allowances.”³⁶ Allowances are costly and there was concern that some participants under MDTA and CETA (who were paid minimum wage stipends) may have continued training only to receive payments. The poor take-up of publicly funded long-term training in recent years may be related in part to the termination of training allowances since the end of MDTA.

The MDTA was evaluated several times using a comparison group methodology that is less robust than experimental methods with random assignment to treatment and control groups. Randomly selected program participants entering programs were matched with a comparison sample of eligible nonparticipants to determine the impact of the program on post-program earnings. One evaluation showed that training modestly increased annual earnings of all trainee groups. For men, this effect was between \$150 and \$500 in the period immediately after training,

35 Before July 1966, the federal government paid 100 percent of the cost of MDTA institutional training; later, MDTA amendments required a federal-state match with states paying for 10 percent (U.S. Department of Labor 1965). This helped to ensure that states had a greater stake in the types of training offered as well as in the participants’ outcomes.

36 Participants who were unemployed and had at least 2 years of employment experience received MDTA allowances. Allowance payments were based on a state’s average weekly unemployment benefit rate, and increased for dependents when training lasted longer than 10 weeks (U.S. Department of Labor 1965). Training allowances were not paid if the individual received unemployment benefits. The maximum duration of training allowances ranged from 52 weeks to 104 weeks during the MDTA program’s existence, exceeding regular unemployment benefit durations (Haber and Murray 1966).

but declined to about half that amount after 5 years. For women, this effect was between \$300 and \$600 and did not decline in succeeding years (Ashenfelter 1978). No subgroup analysis was conducted for older workers.

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

In 1973, CETA was enacted, and the new act decentralized the administration and operation of training programs to the states and local entities, consistent with that administration's revenue sharing policy. It also provided work experience to unemployed workers in the form of public service employment.

Among the changes made, CETA required the creation of "prime sponsors," the governing entities at the local level to coordinate CETA programs. Unlike MDTA, this structure required service providers to compete for funding directly from prime sponsors, a requirement intended to open the market for competition of services (Franklin and Ripley 1984). This shift of programmatic control from the federal government to localities resulted in a number of effects during early implementation: (1) the number of employment and training providers increased from about 1,440 in FY 1974 to over 2,400 in FY 1975; (2) prime sponsors became new local administrative entities with approximately 60 percent of them delivering services; (3) prime sponsors shifted away from using the state ES as a service provider and transferred training contracts to themselves or other organizations; (4) prime sponsors had more flexibility in designing service delivery of the training programs; and (5) more work was done by community-based organizations, with those organizations receiving significant increases in funding (Franklin and Ripley 1984; Snedeker and Snedeker 1974).

CETA provided funds to state and local areas for job training, and participants received stipends comparable to an hourly minimum wage, thus "consuming one-half of available training funds to subsistence" (Mangum, Mangum, and Sum 1998) payments. Accusations—not altogether unfounded—were made that some participants attended training only to collect their stipends. Job creation was extensively used under CETA—called Public Service Employment (PSE). The PSE program, however, was politically controversial,

and was later prohibited under JTPA and since then has not been raised as a serious policy alternative for regular jobseekers.

Barnow (1987) critically reviewed the effects of the CETA programs on employment and earnings. He concluded that, while the programs seemed to raise earnings by \$220 to \$600 per year for all participants, there were wide variations between the studies and among subgroups, including negative results for youths and males. Overall, evaluations of CETA showed that the greatest earning impacts by activity were from participation in OJT and PSE. The smallest impacts—including negative impacts—were from work experience. Classroom training earning impacts fell in between (King et al. 2000). Under Title I, which established the program of job training services, the percentage of older participants was low. For example, in 1975 the percentage of older participants was small, with those age 45–54 at 4 percent and age 55-plus at 3 percent (Congressional Budget Office 1978).

JOB TRAINING PARTNERSHIP ACT (JTPA)

In 1982, JTPA was enacted and the law further devolved federal responsibility for training programs to the local level and eliminated PSE. Program coordination between the locally administered JTPA Private Industry Councils (PICs) and its partner workforce development agencies—the state-administered ES and UI programs—became more complicated with increased jurisdictions of administration. The ES and UI programs remained as statewide programs and were staffed with merit staff state employees, while JTPA was locally managed and services were delivered through contracts with private and public entities.

Under JTPA, programs for disadvantaged adults and youths were retained and a dislocated worker program was added, but funding levels for the programs were reduced (LaLonde 1995). The act also included a 3 percent funding set-aside (amendments in 1992 increased the set-aside to 5 percent of adult Title IIA funds) of yearly state allotments for training services to assure that economically disadvantaged workers age 55 and older were able to receive training and placement services. These set-aside funds were under the control of governors who entered into contracts with public and private agencies for the delivery

of services. A General Accounting Office (GAO) study in 1990 found that although states did not fully expend their set-aside funds, expenditure rates increased to 70 percent by 1988. It also found that 11 percent of adults served by JTPA in 1987 were older workers, and 62 percent of those older workers were served through the set-aside funds (USGAO 1990). The WIA of 1998 did not include a set-aside for older workers; instead, the act allowed localities broader discretion in using funds to meet labor market needs.

The JTPA continued the devolution of workforce development programs to state and local entities. Local decision making regarding programs were made by the staffs of local PICs, which required private sector majority representation, and Service Delivery Areas. The PICs had the flexibility to administer their own programs, but they generally found that contracting for services was a more cost-effective alternative. The PICs also chose to contract for services if they believed their role should be restricted to policy and administration, for example, if becoming the service delivery organization would appear to compromise their management or evaluative responsibilities.

The U.S. Department of Labor funded an experimental evaluation of the JTPA covering the

Adult and Youth programs (Orr et al. 1996; Bloom et al. 1997). 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 significant positive effect on the earnings of men and women, but the effect on earnings as a percent of prior earnings was twice as great for women as men—about a 10 percent gain for women and a 5 percent gain for men. Stanley, Katz and Krueger (1998) found these results encouraging because higher earnings were found for adult men and women and were still growing at the end of the 30-month evaluation, and average earning gains were sizable despite only a small increment in training services receive by enrollees. They conclude that the program was highly cost-effective.

The evaluation found the effect of Youth programs to be insignificant for both males and females over a two-and-a-half-year follow-up period and was true for classroom training, on-the-job training, and a mix of nontraining services. The one exception to these findings was slowly growing earnings gains of female youth referred to classroom training (Stanley, Katz and Krueger 1998). The JTPA evaluation did not cover the JTPA Dislocated Worker program.³⁷

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37 The U.S. Department of Labor began work on a separate evaluation for dislocated workers, but these efforts were halted with the enactment of WIA in 1998.