Public Employment Services and Private Sector Involvement in the Context of Local Economic Development: Lessons from the U.S. Experience

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Topics Covered

- Approaches to Involving Employers
  - On-the-job training
  - Customized training
  - Sectoral approach to training
  - Conclusions and lessons learned
- Recent U.S. Efforts to Foster Economic Development through Training Programs and the Private Sector
  - Workforce Innovation in Regional Economic Development
  - High-Growth Job Training Initiative
  - Community-Based Job Training Grants

Introduction

- Government labor exchange programs started in the U.S. in the 1930s
- Government sponsored training programs have been used in the U.S. since the 1960s
- Programs originally assumed that if you train people, employers will come
- Over time, the system has come to recognize the importance of training workers to meet employer needs
- For both recent major U.S. training programs, the Job Training Partnership Act (JTPA, 1973-1998) and the Workforce Investment Act (WIA, 1998 to present), states and local programs have boards with private sector majorities, but the boards have had a limited role

On-the-Job Training (OJT)

- OJT is used to provide *informal* training to qualified newly hired workers
- Employers receive wage subsidy for fixed period of time (up to 6 months) to pay for extra costs of informal training
- OJT is attractive because it reduces costs and risk to employer
- Evaluations consistently find high outcomes and impacts

On-the-Job Training (continued)

- Caveats:
  - No experimental evidence on impact of OJT relative to classroom training
  - Establishing OJT slots can be expensive
  - OJT can be abused by employers: wage subsidy and/or overcompensation
- Bottom line: Good strategy, that should be encouraged but monitored

Customized Training

- "Customized training" is used to describe training where the training is designed specifically to meet the needs of one or more employers

Features of Successful Customized Training

- Companies heavily involved in curriculum development
- Recruiting, screening, and assessing potential trainees is a shared responsibility between the firm and the training vendor
- Sometimes firm sets the entry standards, and/or the firm is actively involved in selecting each participant
- Training is tailored to specific jobs and customized for the employer
- The programs use a combination of classroom training and laboratory, hands-on training/OJT

Features of Customized Training (continued)

- Potential participants are assessed for adequate reading and math skills
- When needed, basic skills training is provided for participants slightly below the required reading or math level for the job
- Many programs include pre-employment and workplace skills
  - These are sometimes called life skills and include skills such as punctuality, dress, and communications

Results from Case Studies

- No formal impact evaluations
- Over 80% completed training in all programs and over 90% in most programs
- Participants were generally not employed at start
- Virtually all completers were hired by firm
- Costs ranged from $900-$2,700 in 1995 dollars, with average of $2,000
- Characterized as “win-win-win” for participants, employers, and training programs

Why Isn't Customized Training Used More?

- High start-up costs to recruit employers
- Hard to finance curriculum development
- Numbers needed often small, leading to high cost/participant
- Firms wary of working with government

The PPV Sectoral Employment Impact Study

- Sectoral programs are customized programs developed more than one firm in an industry or sector
- Three sectoral programs selected for PPV study
  - Wisconsin Regional Training Partnership (construction, manufacturing)
  - Jewish Vocational Service-Boston (medical billing and accounting)
  - Per Scholas (computer technicians)
- Common program elements
  - Strong organizational capacity
  - Strong link to local employers to understand job needs
  - Job readiness, basic skills, and hands-on technical skills targeted on specific occupation or industry
  - Recruitment, screening, and intake used to get good match between applicant, program, and occupation
  - Individualized services to support training completion and job success

PPV Sectoral Study Design

- Random assignment in each site
- 1,286 participants selected in 3 sites over two-year period
- Half the participants randomly assigned to treatment group, half to control group
- Sample had 53% women, 60% African American, 23% foreign born, 7% less than high school education
- Average earnings year prior to baseline $9,872

PPV Sectoral Study Impacts in 2nd Year After Baseline Were Large

- No data collected on program costs
- Participants earned 29% more than controls--$4,000 difference
- 52% of participants worked all 12 months compared to 41% of controls
- 55% of participants earned at least $11 per hour compared to 42% of controls
- Participants on average spent 7 months in jobs that provided benefits compared to 5.6 months for controls
- Participants in all targeted subgroups (women, African Americans, Latinos, immigrants, ex-offenders, welfare recipients, and youth) had greater earnings than comparable controls

Conclusions on Sectoral Programs

- Programs have same advantages as individual customized programs, but increase scale economies and protect against shifts among firms in sector
- Sectoral programs can be very effective for workers and firms
- Sectoral programs can be difficult to start and must overcome distrust among competing firms
- Caveat for PPV study: Programs were good programs, but not clear impact came from sectoral aspect

The WIRED Initiative

- Funded 3 rounds with 39 regions with $325M and leveraged/aligned $572M
- Six-step conceptual framework
  - Define the regional economy, going beyond political boundaries
  - Create leadership group that represents major assets and provides forum for regional decision making
  - Conduct regional assessment to identify assets and identify strengths, weaknesses, opportunities, and risks
  - Develop economic vision based on strengths and assets, and gain support for the vision
  - Build strategy and implementation plan with goals and tasks
  - Identify resources to implement the plan

WIRED Preliminary Findings

- Two contractors conducting implementation studies for Round I and Rounds II and III
- Round I study identified 4 types of activities:
  - Workforce development
  - Entrepreneurship and business services
  - Talent development (education)
  - Data analysis and planning

WIRED Preliminary Findings

- First round grantees reported that by 2008 31,499 participants had entered education and training activities, with 61% completing, and 25% of completers working in targeted industires
- Nine regions reported 5,429 educators received training, and they instructed 88,000 students per year
- Reports by both evaluation teams note
  - Problems related to severe recession
  - Problems in coordinating and providing leadership to large number of partners

High Growth Job Training Initiative Grants

- **Purposes:**
  - To build capacity for training programs in a high-growth industry
  - To train new workers or upgrade the skills of current workers
  - To create strong partnerships between business, community organizations, and the workforce investment system
- **Scale: Over 160 grants awarded from 2001-2008**
  - Broad range of grantees (e.g., workforce, employer, education, economic development, and community organizations)
  - Nationwide, regional, and local reach of projects
- **Sectoral or industry focus:**
  - Range of industries (see next slide)
  - Changed over 7 years of grant program based on industry needs

Sectors Selected for the HGJTI

- Advanced Manufacturing
- Aerospace
- Automotive
- Biotechnology
- Construction
- Energy
- Financial Service
- Geospatial Technology
- Health Care
- Hospitality
- Information Technology
- Retail
- Transportation

Design Elements of HGJTI Projects

- The average grant award was $1.8 million and ranged from $95,000 to $12 million.
- Some projects had job training or capacity building only, but most had both components.
- Grantees often implemented more than one job training program.
- For training, some focused on short-term safety training or skills upgrades while others focused on longer-term training with degree and/or credential attainment.
- For capacity building, a range of efforts were undertaken – from building awareness for occupations among youth to increasing the number of permanent training "slots."
- Many grantees leveraged cash or in-kind resources, ranging from $7,615 to $29 million, provided by business and other partners.

HGJTI Implementation Lessons

- Employers are important partners in implementing all aspects of an industry-driven project.
- New training technologies such as simulation laboratories and distance learning courses can be used to improve the quality of training and expand access to training.
- Instructors with industry-specific knowledge and experience are needed but they can be difficult to hire and retain.
- Projects need to be flexible to respond to changes in the external environment.
- Resource and cash contributions, especially from employers, are difficult to secure, but can be very important for success.
- Hands-on training components are important to replicating actual work experience.

Early Training Outcomes and Impact Analysis

- Selected five HGJTI sites that:
  - Provided occupational training that is directly related to a job in a specific industry
  - Enrolled the largest number of trainees to obtain statistically significant estimates
  - Had a viable comparison group
  - Had reliable individual-level program data and were in states where earnings and/or WIA data could be obtained

HGJTI Sites Selected

Grantee	Training	Length of Training	Number of Participants	Geographic Region	Target Population
Carpenter's Joint Apprentice Program	Construction and manufacturing	360 hours	367 participants	St. Louis and southeastern MO	Workers new to the industry/ dislocated workers
Chicago Women in Trades	Pre-apprenticeship in construction	170 hours	524 participants	Chicago region	Low-income women
Columbia Gorge Community College	Certified nursing assistant	160 hours	219 participants	Columbia Gorge region of OR and WA	Workers new to the industry/ dislocated workers
Community Learning Center	Aircraft assembly	200 hours	951 participants	Dallas-Ft. Worth region	Workers new to the industry/ dislocated workers
South Texas College	Apprenticeship for advanced manufacturing	3-4 years	270 participants	Southeastern Texas region	Incumbent workers

Evaluation Methods and Findings

- In all sites propensity score matching used to match participants with enrollees in regular workforce programs
- In one site regression discontinuity design used
- Participants generally showed earnings gains of ~$1,000, but no clear pattern of impacts
- Impact evaluation added retrospectively and suffered from small samples and few variables

Community-Based Job Training Grants

- Experience with the High Growth Initiative showed that community colleges must improve their ability to develop talent through:
  - Stronger relationships with and financial commitment from employers
  - Expanded and specialized faculty
  - Improved facilities and equipment
  - State-of-the-art curriculum and instructional technology
- Program started in 2005
- Five rounds of awards with 320 grants awarded for $536M through June 2010
- Implementation study currently underway