INCREASING WORK PARTICIPATION AND RETURNS TO WORK

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Workforce participation at historic (40-year) lows

- Unemployment rate in June 2009 (official recession end date): 9.5%; in August 2018, it was 3.9%
- Labor force participation in June 2009 was 65.7%; in August 2018, it was 62.7%

<table>
<thead>
<tr>
<th>August 2018</th>
<th>Number (in millions)</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>Population (P)</td>
<td>258.066</td>
<td></td>
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<tr>
<td>Not in Labor Force</td>
<td>96.290</td>
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<td>Marginally attached</td>
<td>1.443</td>
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<tr>
<td>Discouraged</td>
<td>0.434</td>
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<tr>
<td>Labor Force (LF)</td>
<td>161.776</td>
<td>62.7% of Population</td>
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<tr>
<td>Employed</td>
<td>155.542</td>
<td>60.3% of Population</td>
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<tr>
<td>Unemployed</td>
<td>6.234</td>
<td>3.9% of Labor Force</td>
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What underlies weak LFP—can we get more people to work?

**Participation Rate by Ethnicity and Education Level**

- Hispanic, Degree
- Non-Hispanic, Degree
- Hispanic, No degree
- Non-Hispanic, No degree

Note: Data are four-quarter moving averages of data not seasonally adjusted.
Sources: Current Population Survey, author's calculations
Trends in publicly-funded training: feeble response to labor market incentives for skill investment?

- Despite increasing wage returns to education and training, participation rates in WIA/WIOA declining

Weeks of participation, training services
SPR, PY 2016 Data Book

Continuing long-term trend (from JTPA to WIA): training length and expenditures per trainee declined significantly
What we invest and what is returned

- U.S. public spending averages less than 0.5% of GDP
  - Most western European countries spend 6-7 times more
  - U.S. employers provide more firm-specific (vs. general, portable) training, narrowly targeted to higher-skilled in competitive markets
- Majority of studies find vocational and on-the-job training to be effective in increasing adult earnings
  - Greatest returns come from combining classroom and workplace training; job search assistance more likely to generate short-run positive impacts that fade with time
  - Training payoffs greater when jobs are available
Policy directions for a resource-constrained public sector

- WIOA allows greater flexibility in use of funds at local level for adult/dislocated worker programs
  - More actively use workforce development data to identify high-value training programs and counsel training recipients
  - Increase funding of sectoral training programs that combine basic/occupational skills training in sectors with expanding labor market opportunities
  - One-Stop Centers can play an elevated coordinating and information dissemination role in support of sectoral partnership-building (akin to sector skills councils in UK)
Begin career/technical training and sectoral partnerships earlier

- Blend vocational and OJT training at much earlier ages in partnership with secondary schools
  - Dual (apprenticeship) system that combines school-based education and firm-based training most effective
  - Increase per-trainee funding for developing high-quality training, CTE and apprenticeships and improve coordination between publicly-funded One-Stop centers and two-year educational institutions

Once youth are disconnected, no cheap and effective way to re-engage them in education, training and the workforce—Year Up cost per participant=$28,290
Do we have the data and evidence we need to answer the question…

Does job-training work? Is this the right question to ask?