

INCREASING WORK PARTICIPATION AND RETURNS TO WORK

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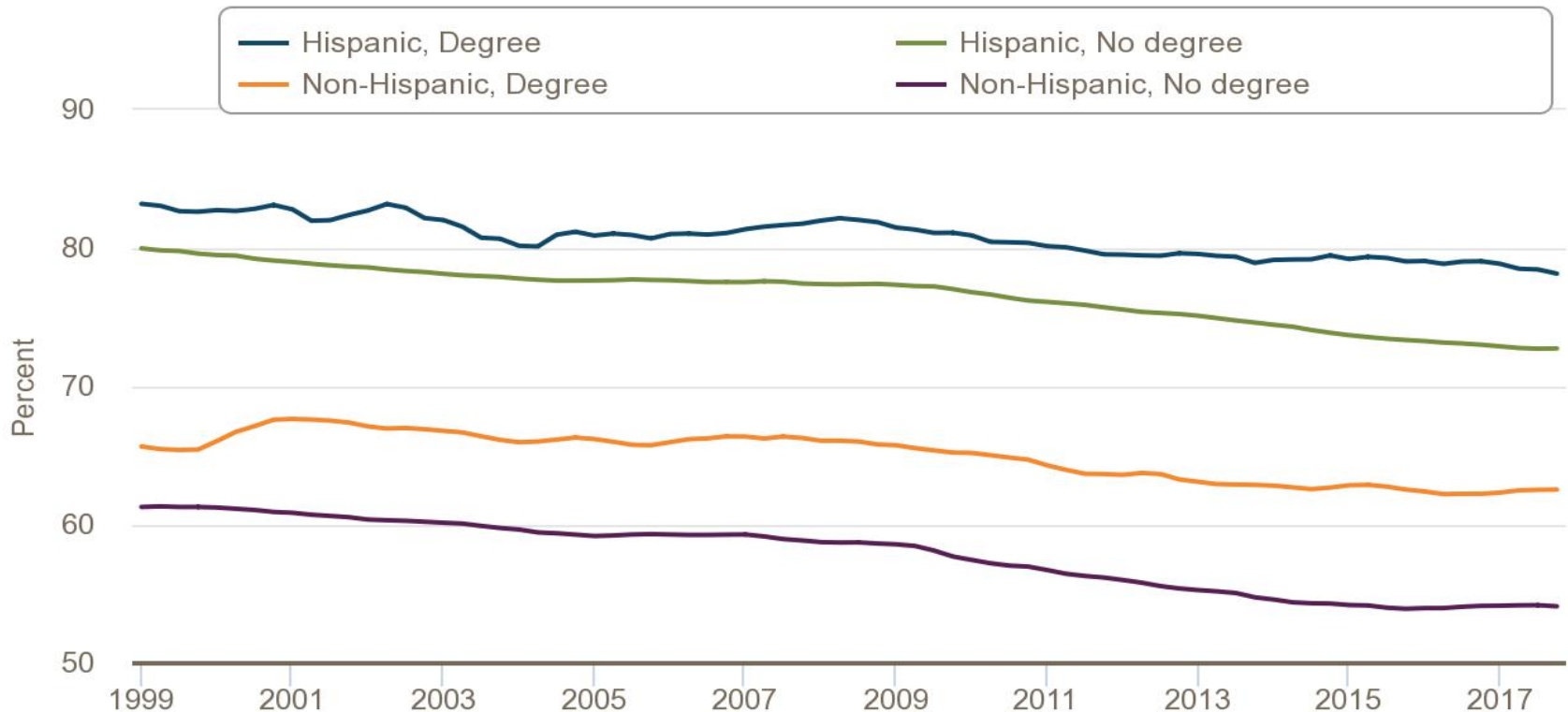
Workforce participation at historic (40-year) lows

- 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%

August 2018	Number (in millions)	Percent
Population (P)	258.066	
Not in Labor Force	96.290	
Marginally attached	1.443	
Discouraged	0.434	
Labor Force (LF)	161.776	62.7% of Population
Employed	155.542	60.3% of Population
Unemployed	6.234	3.9% of Labor Force

What underlies weak LFP—can we get more people to work?

Participation Rate by Ethnicity and Education Level

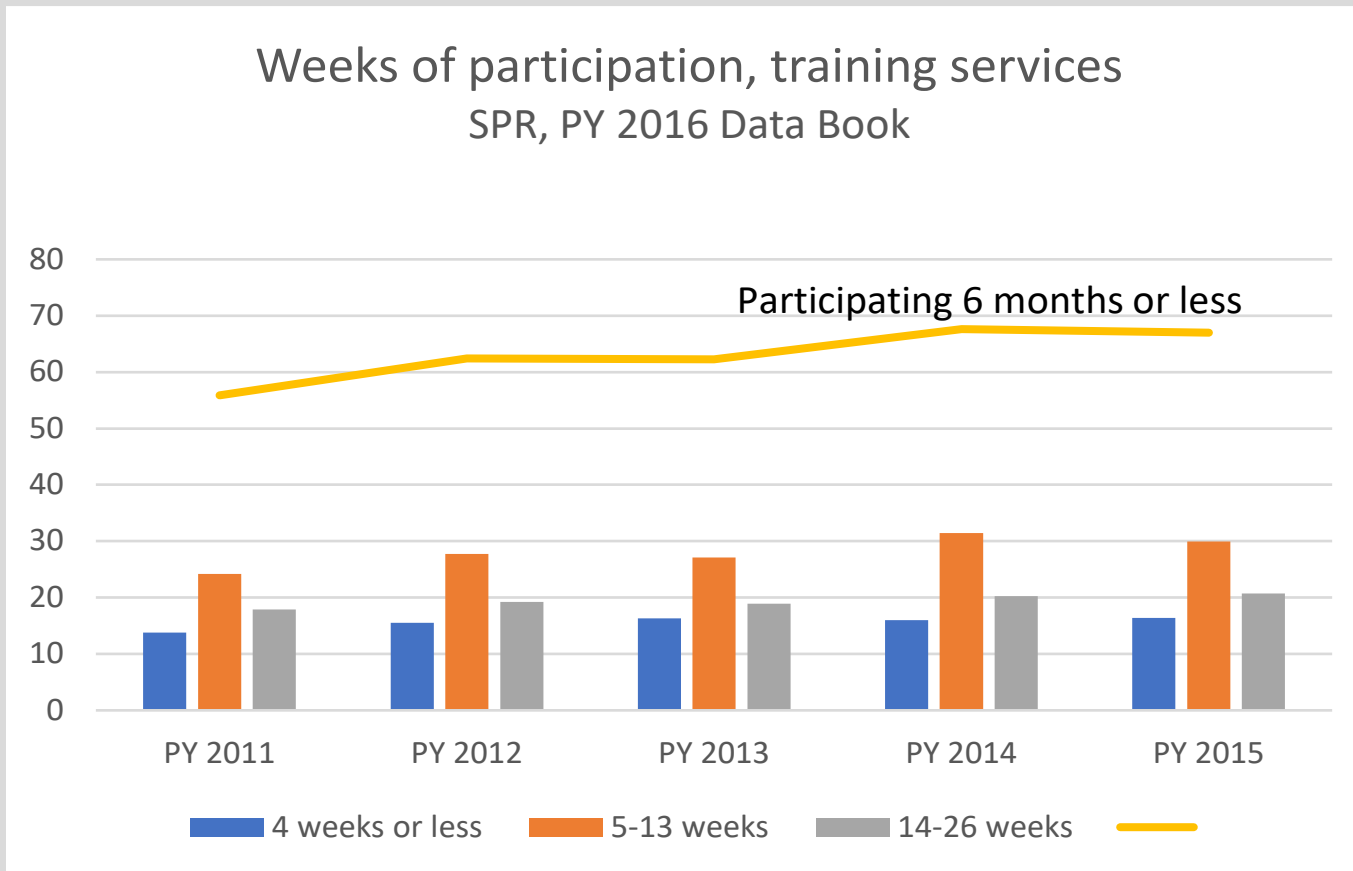


Note: Data are four-quarter moving averages of data not seasonally adjusted.

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



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)

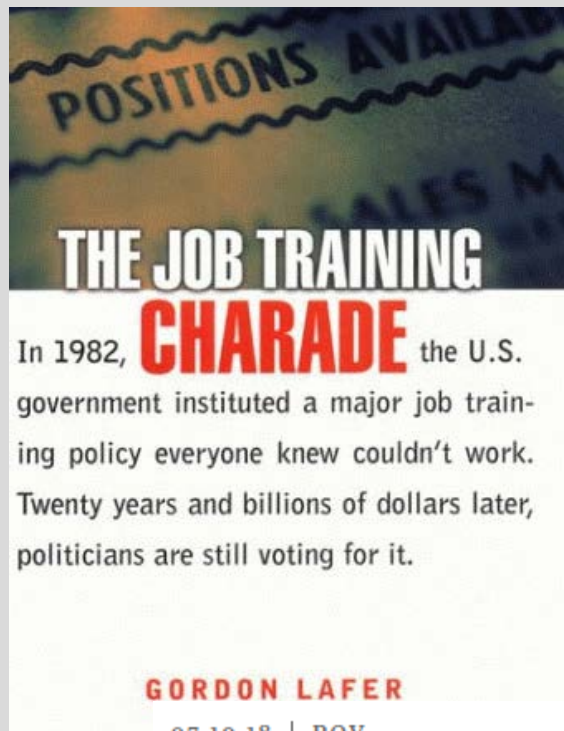
Begin career/technical training and sectoral partnerships earlier

- 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?



Do job training programs work? Wrong question