

Synopsis of Upjohn Institute Findings about Net Impact and Return on Investment for Indiana's Workforce Training Programs

To complement the 2nd NCHEMS Performance Report (2009), the Indiana Chamber contracted with Dr. Kevin Hollenbeck of the W.E. Upjohn Institute (Upjohn) to calculate the net impact and return on investment for Indiana's public workforce training programs. By law, Upjohn completes this type of analysis every four years (2002, 2006, and 2010) in the State of Washington, which operates a highly acclaimed workforce training and evaluation system. Upjohn also has undertaken similar analysis for the State of Virginia. In Washington, Upjohn findings have been used to drive policy changes: for example, Upjohn found that apprenticeship programs pay off especially well compared to other training programs, so Washington is placing additional emphasis on apprenticeships; further, Upjohn found that adult basic education did not pay off unless combined with technical/postsecondary training, so the state has made changes to blend adult education with technical training/degree programs.

Given the potential of Upjohn's work as a policy analysis and resource allocation tool, the Indiana Chamber of Commerce Foundation contracted for analysis of all workforce training programs for which data was accessible. Unfortunately, whereas Upjohn was able to gather data for 11 different training programs in Washington and 9 programs in Virginia, in Indiana Upjohn was able to obtain data for only 5 different training programs, so the results are less comprehensive than would be ideal. *Still the following data should give policymakers a feel for the potential this tool offers to compare the impact of different types of workforce training programs, conduct "what if" analyses about potential policy changes, and compare subgroups within each type of program.*

Upjohn's study in Indiana included people who exited five types of training programs in the state fiscal year 2006. It tracked trainees for seven quarters (nearly 2 years) after they had exited training programs. The five training programs were:

1. WIA Adult (2,697 people)
2. WIA Dislocated Workers (1,891 people)
3. WIA Youth (1,782 people)
4. Trade Adjustment Act (2,855 people)
5. Public postsecondary - associates degree or less (12,452 people)

If data had been available, Upjohn would have studied additional programs in Indiana. Virginia examined its WIA adult and dislocated workers, employment service, trade adjustment act, food stamps employment and training, adult basic education, welfare to work, vocational rehabilitation, vocational rehab for the visually impaired, WIA Title I Adults and Youth, and Carl Perkins Postsecondary Career and Technical Education. Washington examined its career and technical college job preparatory, private career schools, apprenticeship, career and technical college worker retraining, WIA dislocated workers, adult basic education, WIA adults, vocational rehabilitation, services for the blind, secondary career and technical education, and WIA youth.

The evaluation attempts to estimate what happens to program participants compared to what would have happened if they had not participated in a workforce training program. The objective is to determine the difference the program has made for the participant.

Individuals who participated in these workforce development programs were compared to similar individuals who did not. The comparison group was selected from registrants within the state’s employment service (292,615 people registered via Work One). Statistical matching was used to find employment service registrants who closely matched each program participant in terms of a long list of characteristics.

For the cost benefit analysis, Upjohn calculated the value of **the net impacts** on participants’ earnings, employee benefits, social welfare benefits, unemployment insurance benefits and taxes. Benefits and costs were estimated for seven quarters post program and projected to the age of 65.

Upjohn found that **all programs increased the likelihood of employment but to widely varying degrees**. Four programs increased participant earnings to varying degrees, the highest being postsecondary education; one exception was the Trade Adjustment Act (TAA) whose participants lost earnings.

**Net Impact of Training Programs on Participant Employment and Earnings
at 7th Quarter after Exiting Training (compared to non participants)**

Net Impact by Program	WIA Adult	WIA Dislocated Workers	WIA Youth	TAA	Postsecondary AA or less
Increased Likelihood of Employment 7 th Qtr	+13.7%	+16.5%	+2.3%	+5.1%	+19.9%
Increase/Decrease in Quarterly Earnings 7 th Qtr	+\$463	+\$310	+\$47	-\$139	+\$1,547
Increased Lifetime Earnings	\$15,643	\$16,950	\$5,071	\$12,362	\$111,862

Upjohn next calculated the quarterly **Return on Investment** for the five programs from the perspective of the 1) individual participant, 2) government/taxpayer, and 3) society. Societal impact is simply the combination/net of the individual impact and government impact. Here Upjohn projected lifetime costs and benefits for participants.

All but TAA resulted in lifetime returns to individuals and society, though to widely varying degrees. The return was especially strong for postsecondary education. There was a **slight return to government** for the WIA Dislocated Worker, Postsecondary and TAA programs.

**Average Quarterly Return on Investment by Program
(considering “lifetime” costs and benefits for participants to age 65)**

Quarterly ROI by Program For the:	WIA Adult	WIA Dislocated Workers	WIA Youth	TAA	Postsecondary AA or less
Individual	+16.32%	+2.64%	+13.27%	-.93%	+29.87
Government	-.04%	+1.50%	-1.73%	+5.01%	+1.82
Society (combination)	+7.6%	+2.13%	+.22%	-.40%	+9.66%

The Indiana findings were **similar to -- though less robust than -- the Washington findings**, which tracked participants through 11 programs (versus 5 programs) over three years (versus 2 years). Here too Upjohn found generally positive though widely ranging benefits:

2006 State of Washington Participant Net Increases Compared to Non-Participants			
Training Program:	Increased Employment	Increased Quarterly Earnings	Increased Lifetime Earnings
CTC Job Preparatory	6.7%	\$1,008	\$90,455
Private Career School	4.3%	\$343	\$29,719
Apprenticeship	6.8%	\$2,281	\$205,825
CTC Worker Retraining	4.6%	\$298	\$21,128
WIA Dislocated Workers	6.4%	\$752	\$45,544
ABE (adult basic education)	5.9%	*	\$0
WIA Adult	6.6%	\$443	\$29,945
DVR (vocational rehabilitation)	11.0%	\$688	\$45,850
DSB (services for the blind)	20.3%	\$1,492	\$78,429
Secondary CTE (career& tech ed)	5.4%	\$416	\$38,041
WIA Youth	10.3%	\$317	\$27,780

CTC = Career Technical College

* = Not statistically significant at the .05 level.

Upjohn Recommendations/Next Steps

In its full 40 page technical report and seven page executive summary, Upjohn recommended that Indiana:

- Continue to develop and improve data systems so that analysis can be completed on additional training programs;
- Conduct “policy experiments” with the data to test whether increases or decreases in public investment could still generate positive outcomes and examine subgroups within each program;
- Use an oversight or coordinating entity to ensure cross-program accountability and help overcome the “silo effect” that occurs from having programs separately administered; and
- Use ROI studies in the budgeting process (via legislation or executive order) to determine whether there might be an under/overinvestment in one or a few programs as reflected by especially high/low rates of return on investment.

An executive summary and full report “Return on Investment Analyses of a Selected Set of Workforce System Programs in Indiana”, by Kevin Hollenbeck, W.E. Upjohn Institute for Employment Research, September 2009, 40 pages, can be found at indianachamber.com.