

# State Policies to Efficiently Improve the Quantity or Quality of State Labor Supply

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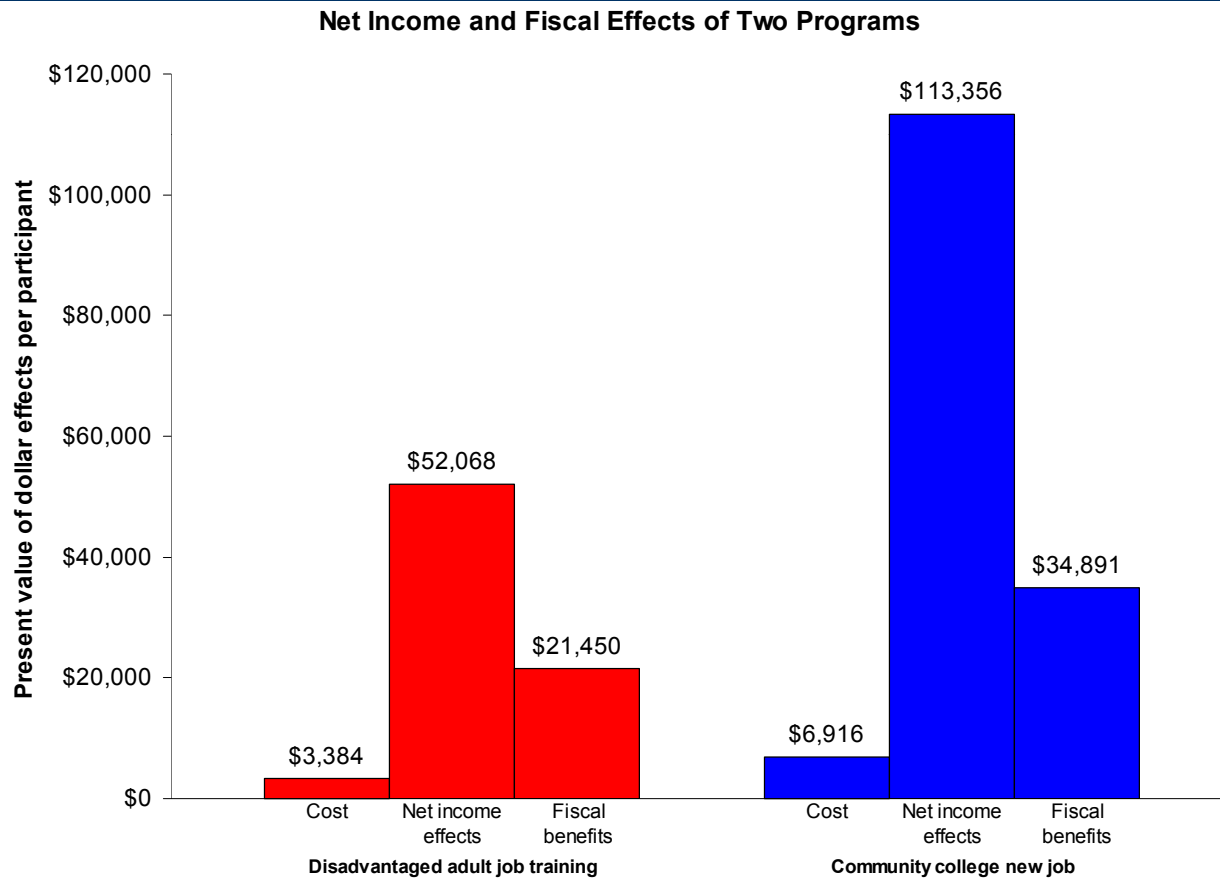
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# Labor supply programs that have been proven to work:

- High-quality universal preschool
- High School Career Academies
- Disadvantaged adult job training
- Community college job training for new hires
- Customized job training for incumbent workers

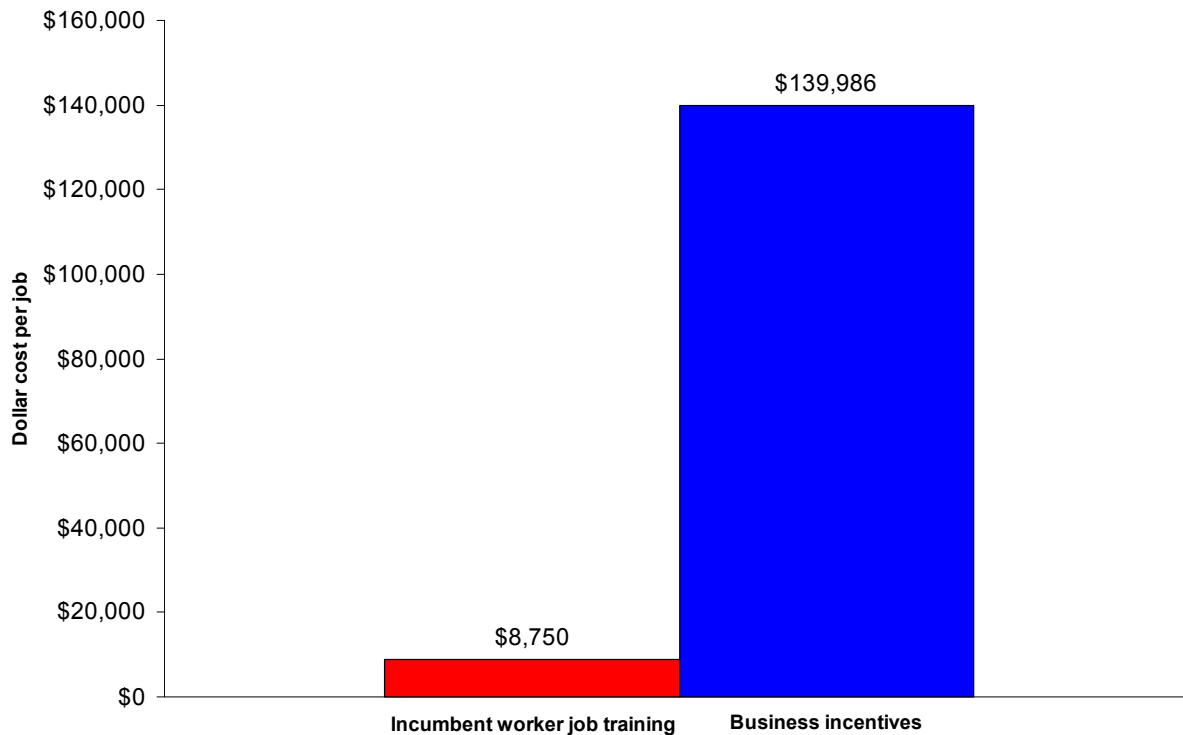
# Programs may produce fiscal and earnings benefits exceeding costs



Source: Hollenbeck (2003). All figures are present value of effects over lifetime of participant.

# Programs often compare favorably to economic development programs in creating or retaining new jobs

Comparison of Cost of Creating/Retaining One Job, Incumbent Worker Job Training vs. Business Incentives



Source : Hollenbeck (2008); Bartik (2006).

# The U.S. underinvests in successful human capital programs:

- Real federal spending on disadvantaged adult job training cut by over half from 1993 to 2007. (Abraham and Houseman, 2008).
- Many Western European countries spend about 1/2 of 1% of GDP on such labor supply initiatives; U.S. spends only 1/10<sup>th</sup> of 1%. (Bartik, 2001)
- Universal preschool creates about twice as many jobs in a state as spending state funds on business incentives, yet states are spending less than 1/10<sup>th</sup> as much on preschool as on business incentives. (Bartik, 2006)
- States spend less than \$800M on customized incumbent worker job training, compared to over \$30B on business incentives, even though customized job training is over 10 times as effective. (Hollenbeck, 2008; Bartik, 2006)

# Programs tend to be more effective if:

- Target skills that are in demand
- Have strong ties to employers, which:
  - helps ensure relevance of skills taught
  - helps place workers
- Provide skills that are useful to specific employers, but also have more general applicability

# Promising programs, but for which there is not rigorous evidence, include:

- Older worker programs
- Ex-offender programs
- Amenity enhancement to attract creative class

# Older worker programs:

Promising ideas for enhancing earnings of older workers include (Abraham and Houseman, 2008):

- Employer outreach and education
- Anti-discrimination laws
- Placing older worker specialists in One-Stop Centers
- Outreach efforts at Senior Centers
- Programs specifically targeted at seniors seeking employment, including targeted counseling and computer skills training

# Ex-offenders:

Huge problem: 600,000 persons leave prison each year, 60% of employers won't hire them and criminal records are increasingly available to employers.

## Possible solutions (Raphael, 2008):

- Invest in labor market intermediaries who can retrain, screen, and certify ex-offenders as good risks for employment.
- Given that recidivism declines greatly over time, consider expunging some conviction records for selected crimes from public access after specified periods of time.

# Monitoring Effectiveness

States can monitor effectiveness of these workforce programs by: (Hollenbeck and Huang, 2008)

- Comparing employment and earnings of those trained with other similar persons
- These comparisons can use data available from unemployment insurance system records on employment and earnings history
- Matching to similar persons is essential because
  - persons who are trained have more pre-existing labor market problems than average person
  - pre- vs. post-training comparisons are biased by pre-program dip in earnings

# Summary

- Many human capital programs can pay off for state economy and state fiscal situation
- Effective programs respond to skill requirements of evolving state economy and work closely with employers
- Efficient program operation requires high-quality monitoring of program results

# References

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(2008). “Is There a Role for Public Support of Incumbent Worker On-the-Job Training.”  
(2003). “Net Impact Estimates of the Workforce Development System in Washington State.”  
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# References (Continued)

- General discussion of labor supply and labor demand programs to deal with poverty:
  - Timothy J. Bartik (2001). *Jobs for the Poor: Can Labor Demand Policies Help?* Book available for purchase from Russell Sage at <http://www.russellsage.org/publications/books/0-87154-097-5>. Chapter 1, which summarizes book, can be downloaded for free at this link.
- Older worker programs are discussed in
  - Katharine G. Abraham and Susan N. Houseman. (2008). “Removing Barriers to Work for Older Americans.”
- Ex-offender programs are discussed in
  - Steven Raphael. (2008). “Boosting the Earnings and Employment of Low-Skilled Workers in the United States.”

Both chapters can be found in Timothy J. Bartik and Susan N. Houseman (editors). 2008. *A Future of Good Jobs? America's Challenge in the Global Economy*. Available for purchase at <http://www.upjohninstitute.org/publications/titles/fgj.html>. First chapter which summarizes the book can be downloaded for free.

# References (Continued)

- A discussion of techniques for a state to do workforce performance monitoring is  
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