

Active Labor Market Programs and Poverty

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Outline

A bit about me

Primary labor market programs to reduce poverty

Interesting aspects to teach

- 1) System organization
- 2) Comparative systems
- 3) Econometric evaluation methods
- 4) Caseworkers / assignment
- 5) Performance management

A bit about me

Trained at Chicago with Jim Heckman

Western Ontario, then Maryland, then Michigan, now Wisconsin

Study methods for evaluating social and educational programs

Substantive interests in active labor market programs, college quality and college match, primary and secondary education

Co-organizer of the IRP Summer Research Workshop

Thought question: how would I teach this material to undergraduates?

Key programs serving those in poverty

Active versus passive labor market policies

Focus here on human capital policies (not demand / wage policies)

Workforce Investment Act / Workforce Innovation and Opportunity Act

Sequence: MDTA / CETA / JTPA / WIA / WIOA

Job Corps

Pell Grants

WIA / WIOA

Separate displaced worker (recent job loser), adult and youth programs

PY 2014 budget about \$2.4 billion

Core services, intensive services, and training

- Core services open to all

- Intensive and training services priority to disadvantaged

- Caseworkers and individual training accounts

Level of integration with other programs varies by state

Experimental evaluation of WIA training versus WIA no training

Non-experimental evaluations of WIA versus no WIA and WIA training versus WIA no training

Job Corps

Residential education and training program for youth 18-24

Dates back to the 1960s

PY 2014 budget \$1.7 billion

Earlier non-experimental evaluation and later experimental evaluation agree:

- Impacts on crime and earnings in the short term

- Program does not pass a social cost-benefit test, but ...

Pell Grants

Subsidize vocational education at public community colleges and private vocational schools (these also provide most WIA/WIOA training)

FY 2014 budget about \$8.2 billion

Disappointing completion rates

Student loans play a role here too

System design

WIA / WIOA quite decentralized

States and Workforce Investment Board (WIBS) within framework

Many other programs: SNAP, TANF, HUD, YPD, etc.

State programs, local programs, non-profit programs

Example of substitution from the JTPA experiment

Advantages: local control, tailoring to specific populations and local needs and providers, easy to try new approaches

Disadvantages: duplication, (possibly) less response to evidence, confusing for the population of potential participants

Comparative systems

German-speaking and Nordic countries have centralized systems

Single benefit system with multiple tiers (versus separate UI, SNAP, TANF systems operated by separate federal departments)

Benefit system integrated with ALMPs

Econometric evaluation methods

Several large, well-executed experimental evaluations

Literature on “within-study designs” or “design experiments”

Learning what you need to condition on ... and more.

Learning about the pitfalls of large experiments

Randomization bias, substitution bias, etc.

Caseworkers / assignment problem

Tasks: motivation, monitoring, matching of participants to programs

Some positive evidence on motivation and monitoring functions

Little evidence that caseworkers do well at the assignment problem

- ITA experiment (US)

- Caseworker absences paper (Germany)

- Caseworker service assignment paper (Switzerland)

Performance management

Performance management long intertwined with active labor market programs (going back to CETA)

Real incentives for local WIBs in WIA / WIOA

Most measures focus on outcome levels rather than impacts

Employment rates rather than changes in employment rates

Provide an incentive for “cream-skimming” among applicants and other strategic behavior

Lots of evidence that program staff respond to these incentives

Concluding remarks

ALMPs not a general solution to poverty

ALMP context useful for teaching / discussing many broader issues

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