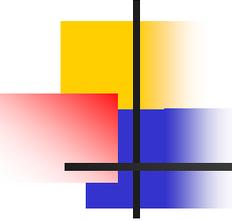


Vouchers in U.S. Vocational Training Programs: An Overview of What We Have Learned

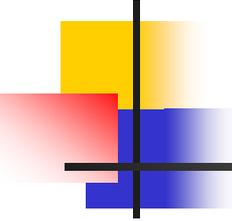
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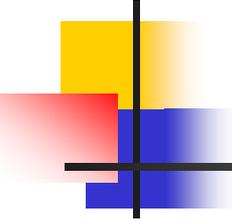
Presentation Outline

- Background
- Rationale for government involvement in training
- Arguments for and against use of vouchers for training
- Structure of U.S. government supported training system
- Performance of vouchers in the U.S. system
- Conclusions and Prospects



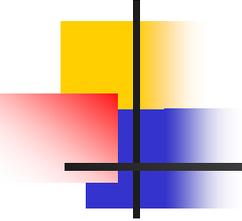
Background

- Focus on government-sponsored classroom training to prepare participants for specific jobs
- Focus on targeted programs for specific workers—poor, dislocated workers, etc.
- Paper excludes programs for disabled (ticket to work) and general population (vocational education)



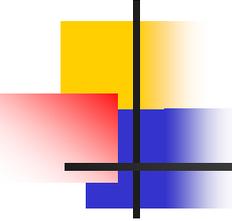
Why Government Involvement in Training?

- Market may fail, e.g., lack of access to capital for poor
- No incentive for employers to invest in general training
- Training, like education, might be a merit good
- Equity concerns—compensate for losses or provide better basis for competing
- Individuals might underinvest in training due to imperfect information, different social and private discount rates, or externalities



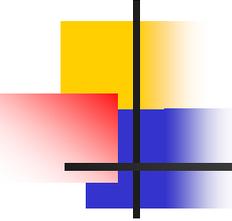
Roles Government Can Play in Training Programs

- Activities in training programs
 - Recruitment
 - Eligibility determination
 - Assessment
 - Supportive services and ancillary activities
 - Training
 - Placement
- Options for national government
 - Direct provision
 - Delegation to lower level government
 - Contracting out
 - Vouchers



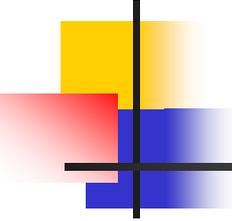
Arguments for Vouchers

- Vouchers maximize consumer choice and therefore utility
- Simplify government role
- Competition among providers may increase performance
- Consistent with “reinventing government” movement



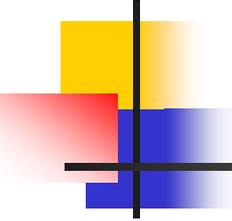
Arguments Against Vouchers

- If choice is good, give people cash
- Participants may not choose socially optimal program
- Participants may lack information about programs and the labor market
- Counter measures include providing information and restrictions on vouchers



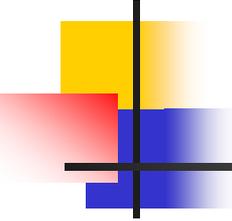
Vouchers Need not Be Unrestricted

- Vouchers can be restricted to vendors that meet certain criteria in terms of quality of training
- Vouchers can be restricted to particular occupations
- Vouchers can be restricted to occupations for which the participant has shown appropriate aptitude and interest
- Vouchers can be restricted in how much tuition is covered



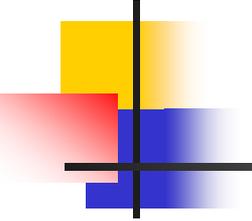
Evidence on Vouchers from SIME-DIME Welfare Experiment of 1970s

- Participating families in counseling and education component randomly assigned to 3 options:
 - Counseling only
 - Counseling plus 50% percent subsidy for cost of education or training
 - Counseling plus 100% percent subsidy for cost of education or training
- Findings
 - Participation was moderate and declined with lower subsidies, with 100% subsidy group with 1 yr training
 - Vouchers may have reduced earnings; at best no impact
 - Evaluators concluded that participants had unrealistic expectations, and pure vouchers were problematic



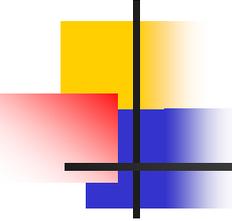
Evidence on Vouchers from the Job Training Partnership Act (JTPA)

- Under JTPA, vouchers were optional
- Trutko and Barnow (1999) looked at 9 areas with vouchers
 - 8 sites used “guided choice” which included assessment and counseling, screening vendors for cost and outcomes, vouchers restricted to high-demand occupations, and joint decision on voucher
 - Most areas thought vouchers had little effect on cost or outcomes, but contributed to customer satisfaction
 - Local areas liked using vouchers so long as they could use the guided choice approach



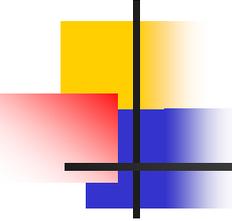
Brief Overview of Features of the Workforce Investment Act (WIA)

- Fosters more coordinated, longer-term planning for workforce development programs.
- Institutionalizes One-Stop Career Centers as the cornerstones of the local workforce delivery system.
- Sequences job seekers' services from core to intensive to training services.
- Implements universal eligibility for core services via the One-Stop Career Centers.
- Increases reliance on market mechanisms by
 - Delivering training services using Individual Training Accounts (ITAs)
 - Having customers to select training from an Eligible Training Provider list supplemented by a "consumer report card"
 - Linking performance incentives to program standards



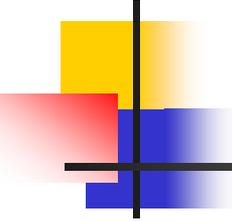
Evidence on Vouchers from the Workforce Investment Act (WIA)

- WIA requires the use of vouchers called individual training accounts (ITAs) for most training, but local programs have flexibility to regulate how much discretion with the customer v. the local program
- Qualitative evaluations of WIA by Social Policy Research Associates (2004) and Barnow and King (2005) reached similar conclusions
 - ITAs are popular with customers and liked by local programs so long as they can use guided choice approach
 - The SPR study found that ITA caps ranged from \$1,200 to \$10,000, and some sites had no cap
 - Both studies found problems with the requirements for the eligible training provider list in WIA, concluding that the benefits of the screening of vendors was not worth the cost involved



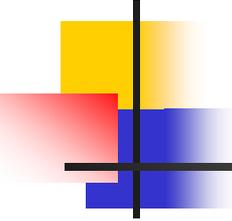
Evidence on Vouchers from the Individual Training Account Experiment

- WIA customers to receive classroom training in 8 sites were randomly assigned to 3 variations:
 - Structured customer choice (Approach 1)
 - Guided customer choice (Approach 2)
 - Maximum customer choice (Approach 3)
- McConnell et al. (2006) found that customers under all 3 approaches were satisfied with the ITA process, but takeup rate was highest with Approach 3
- Customers in Approach 3 were less likely to request counseling and considered fewer vendors



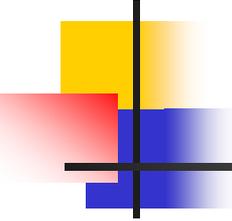
Evidence on Vouchers from the Individual Training Account Experiment (continued)

- When McConnell et al. compare Approach 1 with Approach 2 and compare Approach 2 with Approach 3, they conclude that a move to bypass the local programs would reduce costs with no significant change in benefits
- If one compares Approach 1 with Approach 3, earnings gains in the 15 months following random assignment are between \$450 (not significant) and \$1,300 (statistically significant) higher depending on data source
- Rather than conclude that unrestricted vouchers are better, stricter control may be the best option



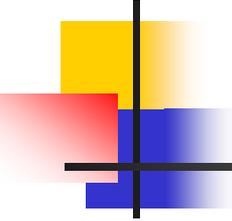
Evidence on Vouchers from the Trade Adjustment Assistance (TAA) Program

- The TAA program provides cash assistance and training to qualified dislocated workers who lose their job due to imports
- Training under TAA was an entitlement, and although the training is under the auspices of the employment service, the TAA recipients can generally select the program of their own choice, making TAA a voucher program
- Corson et al. (1993) used a nonexperimental design with unemployment insurance (UI) recipients used as the comparison group to evaluate the impact of the program on employment and earnings
- The study found no significant impact on earnings for three years following the date of layoff.



Evidence on Vouchers from the Career Management Account Demonstration

- The CMA demonstration was conducted in 13 sites from 1995 to 1997
- In CMA sites, dislocated workers received vouchers rather than training and other services provided by JTPA
- CMA sites were selected competitively, and each site developed its own voucher program
- Public Policy Associates (1998) found that employment and earnings outcomes were slightly more positive for CMA sites than regular JTPA dislocated worker programs in the same areas, but costs were 74 percent higher



Conclusions

- Although there are good arguments in favor of vouchers as a delivery mechanism for targeted training programs, there are also good reasons why authority for determining the type of training and vendor should be vested in the government
- The empirical evidence on vouchers is mixed. Previous studies provide mixed evidence on the effectiveness of vouchers for the economically disadvantaged and dislocated workers, although workers prefer vouchers; the evidence suggests that having the government retain some control improves outcomes
- Vouchers in targeted training program should include assessment and counseling to determine what training is appropriate for the participants and screening of vendors for quality of training and appropriate placement rates