

**Low-Income and Welfare Client Priorities:
Patterns of Earnings and Welfare Receipt for
Workforce Investment Act Participants**

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Principal authors

Peter R. Mueser
Department of Economics
University of Missouri-Columbia
573/882-6427
mueserp@missouri.edu

and

David W. Stevens, Executive Director
The Jacob France Institute
University of Baltimore
410/837-4729
dstevens@ubmail.ubalt.edu

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ABSTRACT

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Peter R. Mueser and David W. Stevens

This paper examines labor market and welfare experiences of participants in Workforce Investment Act (WIA) programs who exited in July 2000-June 2001. Administrative data from six states on earnings and welfare receipt are used to trace the experiences of participants in the two years prior to and in the year following exit from WIA. Individuals are classified as “Adults” or “Dislocated Workers” and by whether they received “Training” or less intensive services under WIA. We find that Adults have large employment gains associated with participation in WIA, and Adults in Training have particularly large earnings gains. Following losses, employment and earnings of Dislocated Workers largely recover following WIA participation. Welfare receipt declines, especially for those in Training activities. Despite some differences, similarities between states in basic patterns are striking.

1. INTRODUCTION

The Workforce Investment Act of 1998 (WIA) represented a major overhaul of job training services in the U.S, replacing the Job Training Partnership Act (JTPA), which had been in effect since the 1980s. It altered administrative structures at both the state and local level, mandated changes in the way services were provided to individuals, and, perhaps most significantly, required that programs meet newly-designed performance standards. All states were required to implement WIA by July 2000, although a small number implemented the act as early as July 1999.

A primary goal of the program is to improve employment outcomes for disadvantaged individuals, moving individuals and their families toward self-sufficiency and reducing reliance on government subsidized programs. A large number of studies have attempted to examine the impact of such training programs, and there is an important experimental study that examines JTPA.¹ Although performance measures required under WIA are available, given its recent implementation, analyses examining outcomes from WIA participants are much more limited. One experimental study has been designed to compare alternative counseling approaches under WIA, although it is still in progress.²

We are not aware of any random assignment study, even at the design stage, that will allow a comprehensive evaluation of the impact of WIA on participant employment outcomes. One may question the extent to which nonexperimental designs are valid in providing meaningful evaluations of program outcomes. There is an active literature that attempts to develop and test alternatives to experimental design.³ Even if such concerns could be addressed, there are other difficulties in estimating WIA program effects. Under WIA, states and local areas have much latitude in the design of their job service and training programs, so effects are very likely to differ across areas.

This paper identifies observed patterns of earnings and welfare receipt for WIA exiters in six states by type of service received. Our approach examines quarterly earnings over a four-year period, including two years prior to and one year following the exit year. Since all measures are calculated on the same sample of participants, changes in earnings or welfare receipt represent actual experiences of these individuals. On the other hand, it is important to recognize that observed changes are not necessarily due to program impact. It has long been recognized that the decision to participate in a program selects individuals at particular points in their employment history. Decisions to exit WIA may also be selective. Without a comparison group with which to compare these patterns, we cannot separate out actual program effects from variation that would have occurred in the absence of the program.⁴

The analysis here focuses on Program Year 2000 (July 2000-June 2001) WIA Title I-B Adult and Dislocated Worker exit flows. Although recruiting channels differ across states and local areas, those classified as Adults are disproportionately low-skilled individuals, often unemployed or with unstable jobs and low pay. In contrast, Dislocated

Workers are often recruited by WIA staff when plants close and they generally have much higher skill levels and greater prior earnings.

We divided individuals between those who are coded as receiving Training services and those who do not. While there is some latitude in how such services are defined, generally any classroom or on-the-job training activity that takes more than a few days must be classified as Training. Although training programs often last several months, few extend for as much as a year. In contrast to Training, “Core” and “Intensive” services include most job search and job readiness programs, various kinds of employment counseling, in addition to a host of programs of very short duration. We chose not to distinguish Core and Intensive services because states often differ in how these services are defined.

The six states from which we have data are Florida, Georgia, Illinois, Maryland, Missouri and Texas. Although the current analyses combine results in all states, we also make some reference to the separate state estimates where these are of interest. Status descriptors are drawn from the Workforce Investment Act Standardized Record (WIASRD) data file provided by each of the ADARE project states. Section 2 describes the data that were assembled to prepare the tabulations. Section 3 presents and interprets the results. Section 4 provides a brief conclusion.

2. DATA SOURCES AND PROCESSING

Data Sources

The base data for WIA client information derive from the Workforce Investment Act Standardized Record (WIASRD) file, listing WIA exiters in PY2000 (July 2000-June 2001), provided to each of the ADARE project partners by the WIA administrative entity in the state. Among the ADARE project states, Florida and Texas were voluntary early implementers of the Workforce Investment Act of 1998. This means that the 2000 WIA Program Year covered in this report was the *second* year of WIA reporting for Florida and Texas but only the *first* year of such reporting for Georgia, Illinois, Maryland, and Missouri.

In order to examine the labor market experience of WIA clients, the WIASRD data were merged by Social Security number to Unemployment Insurance wage record data maintained by the state. The wage record data provide total earnings in each quarter for each employee in the state who is in a job overseen by the state’s Unemployment Insurance system. These records include the overwhelming majority of earnings received by residents in the state, although it does not include earnings from self-employment, informal or illegal employment, or employment in a small number of exempt jobs. It also omits any earnings obtained by residents working outside the state. A partial exception is that, in the case of Missouri, wage record data for both Missouri and Kansas are included in the analysis. Among the states in the study, Missouri contains the only major city,

Kansas City, for which a substantial portion of residents are employed outside the state, and these individuals are employed in Kansas. Although St. Louis is also on a state border, very few of its residents work in Illinois.

In each state, the WIASRD data were also merged with state administrative records identifying receipt of Temporary Assistance for Needy Families (TANF) cash payments. We have not identified as recipients those individuals who received only in-kind benefits, such as Medicaid, childcare support, or related benefits. In each case, except that of Illinois, all individuals in households receiving such cash payments were classified as “recipients.” This means that a small number of individuals identified as household members who were not themselves eligible for TANF payments are included. Excluding such individuals would not have influenced our results. Our analysis also includes individuals who were dependents in families receiving TANF, although again the number of such individuals is very small and has no material impact on our results. In the case of Illinois, our analysis is limited to female payees receiving TANF cash payments in the single-parent program, so all males as well as dependents are omitted. In a separate analysis, we examined the impact of this selection for Missouri and found that such selection did not alter results in any important way.

All the TANF information is coded by quarter, so an individual is identified as a recipient in any quarter in which TANF payments were received. All these TANF indicators derive from data sources used to administer the TANF program in the state, not from the variables on the WIASRD database. In addition to greater accuracy, the measure we use has the advantage that it can be traced for an extended period—in the case here, for a full four years spanning the WIA participation year.

Data Processing

WIASRD data element 303 *Date of WIA Exit* was used to ensure that only exit dates between July 1, 2000 and June 30, 2001 were included for the Adult and Dislocated Worker populations. This includes ‘hard’ exits, where the relevant agency explicitly chose to code an individual as completing or leaving the program, and ‘soft’ exits, where the participant is defined as exiting because 90 days elapsed since the last recorded service.

WIASRD data elements 304 *Adult (Local)* and 305 *Dislocated Worker (Local)* were used to select the two sub-populations of interest.⁵ WIASRD data element 333 *Date of First Training Service* was used to assign an individual to the Training sub-population. Any Adult or Dislocated Worker with a valid *Date of First Training Service* was assigned to the Training Services sub-population. The remaining clients were assigned to the Core or Intensive Services only sub-population. These steps resulted in the assignment of each person to one of the two mutually exclusive categories of WIA services—Core or Intensive, and Training.

3. WIA CLIENT OUTCOMES

In the analysis here, we have combined data from Florida, Georgia, Illinois, Maryland, Missouri, and Texas. The total population consists of 31,282 Adult and 23,516 Dislocated Worker WIA clients, which is the total universe of participants who exited during Program Year 2000. For all quarters in the period beginning two years prior to the program year through the year following the program year (1998:3 through 2002:2), we plot employment, earnings and TANF receipt for the full set of individuals in the specified category. If no wage record data matches for an individual in a given quarter, that individual is coded as not employed.

Patterns of Employment and Earnings for Adult Participants

Figure 1, which graphs employment of Adults participating in Core and Intensive services, and those participating in Training, provides a useful window into the employment experiences of WIA clients. The white bar shows that in the two years prior to the program year, levels of employment are between 53 and 56 percent. In the first quarter of the program year, employment increases above prior levels, increasing each quarter, approaching 74 percent in the last quarter of the program year. In the subsequent year, employment declines somewhat but is still over 62 percent in the last quarter. It is clear that participation in the program is associated with substantial gains in employment, but the employment increment partly dissipates following the program year. The pattern for Adults receiving Training services (striped bar) shows a very similar pattern.

The trend for earnings for those employed is indicated in Figure 2.⁶ Focusing first on those receiving Core and Intensive services (square mark), we see that during the program year, earnings do not increase much initially, but do increase modestly toward the end of the program year. Notably, these gains continue into the following year. Average quarterly earnings in the two prior years are \$3,123, and they increase by 22 percent to \$3,814 in the year following participation. Not only are clients getting jobs following their WIA participation, but they are getting better jobs.⁷

The growth in earnings for those who participate in training (triangle mark) is much greater. If we examine the prior earnings for these individuals, they are somewhat lower than those who receive only Core or Intensive services, but they increase much more in proportional terms. Quarterly earnings in the two years prior to the program year average only \$2,791, which increases a remarkable 69 percent in the year after participation.

One obvious question is whether there are important differences across states. Figure 3 presents quarterly earnings for employed Adult clients receiving Training services in our six states. We see there are differences in the levels of earnings in each of the states, and that growth in earnings differs somewhat by state. On the other hand, the basic pattern is remarkably similar across states: There is little growth in earnings prior to program participation and substantial net growth beginning in the participation year.

Although we do not present disaggregated statistics by state in what follows, in each case we have tabulated results separately, and the basic patterns are similar across states.

Patterns of Employment and Earnings for Dislocated Workers

Figure 4 shows employment and earnings for those classified as Dislocated Workers. For those who participated only in Core or Intensive services, as might be anticipated, there is a decline in earnings in the year prior to the program year, reflecting the loss of jobs. Those receiving Training Services differ in important ways, as their employment declines by much more than those receiving Core or Intensive Services, but then their employment returns to similar levels.

Differences between Core and Intensive service participants and those in Training are highlighted by patterns of earnings for those who are employed (Figure 5). Training participants have slightly lower earnings initially, and experience substantially larger declines prior to the program year. Apparently, the loss of high paying jobs is particularly critical for those who move into Training. Earnings for both groups, but especially those in Training, increase by the end of the program year. Between the first quarter of our series and the first quarter of PY2000, their earnings drop by 24%, as compared to the 15% drop experienced by those not receiving Training services. However, interestingly, in the post-participation period, their earnings experience an almost complete (99.8%) recovery as compared to the initial year of our series. This improves on the 92.6% recovery experienced by those receiving only Core or Intensive Services.

TANF Use for Adults and Dislocated Workers

Figure 6 shows that TANF participation is near 10 percent at the beginning of our time period for Adults in both service categories. This rate begins to rise in the year prior to WIA participation and continues a steady if modest increase through the first quarter of PY2000. However, beginning in the second quarter of the program year, this rate declines sharply and continues to do so throughout the survey period, ending at below 7% for those receiving Core or Intensive services and dropping to a remarkable 4.3% for those in the Training cohort.

Figure 7 shows that Dislocated Workers are very unlikely to participate in TANF, as participation rates are under 2 percent in all cases. We observe a downward trend in these rates, with participation less than 1 percent at the end of our period.

4. CONCLUSION

We find that Adults have large employment gains associated with participation in WIA, whether they receive Core and Intensive, or Training services. Training recipients

have particularly large earnings gains. Following losses, employment and earnings of Dislocated Workers largely recover, especially for those in Training. Adult TANF receipt declines, especially for those in Training activities. Dislocated Workers are very unlikely to receive TANF. Despite some differences in the detailed patterns, similarities between states in basic patterns are striking.

Endnotes

¹ Daniel Friedlander, David H. Greenberg and Philip K. Robins, “Evaluating Government Training Programs for the Economically Disadvantaged.” *American Economic Review* 35(4, December 1997):1809-1890; and Larry L. Orr et al., *Does Training for the Disadvantaged Work? Evidence from the National JTPA Study*. Washington, DC: Urban Institute Press, 1996.

² Paul Decker and Irma Perez-Johnson, “What Can We Expect Under Personal Reemployment Training Accounts? A Discussion Based on Findings from the Individual Training Account Experiment, Reemployment Bonus Demonstration and Other Evaluations.” Paper presented at the USDOL 2003 National Research Conference.

³ Rajeev H. Dehejia and Sadek Wahba, “Propensity Score-Matching Methods for Nonexperimental Causal Studies.” *The Review of Economics and Statistics* 84 (February 2002): 151-161; Kenneth Troske, Peter R. Mueser and Alexey Gorislavsky, “Using State Administrative Data to Measure Program Performance.” Draft, 2003; and Jeffrey Smith and Petra Todd, “Does Matching Overcome LaLonde’s Critique of Nonexperimental Estimators.” *Journal of Econometrics*, forthcoming.

⁴ Kevin Hollenbeck, Christopher King, and Daniel Schroeder (“WIA Intensive and Training Service Net Impact Estimates,” paper presented at the USDOL 2003 National Research Conference) provide preliminary analyses that attempt to identify the impacts of WIA in our states using a matching methodology to construct a comparison group from those receiving less intensive services.

⁵ Duplication is permitted and does occur, but the number of duplicated cases is very small. Youth, statewide activities supported by the 15 percent provision in the federal legislation, including Displaced Homemakers, Rapid Response, and National Emergency Grant funded services to clients, are not included.

⁶ Earnings are calculated each quarter for the set of individuals employed in that quarter. In order to obtain unconditional mean earnings, the reported earnings can be multiplied by employment rates in Figure 1. Since employment, and earnings for those employed tend to follow similar patterns, this product measure shows the same pattern, somewhat accentuated, as do Figures 1 and 2.

⁷ All earnings are reported in current dollars, and therefore do not take account of inflation. Basic patterns would not be altered substantially by price adjustments, given modest levels of inflation over this period.

FIGURE 1
Employment for WIA Exiters July 2000 - June 2001
Adult Clients Receiving Core & Intensive, or Training Services

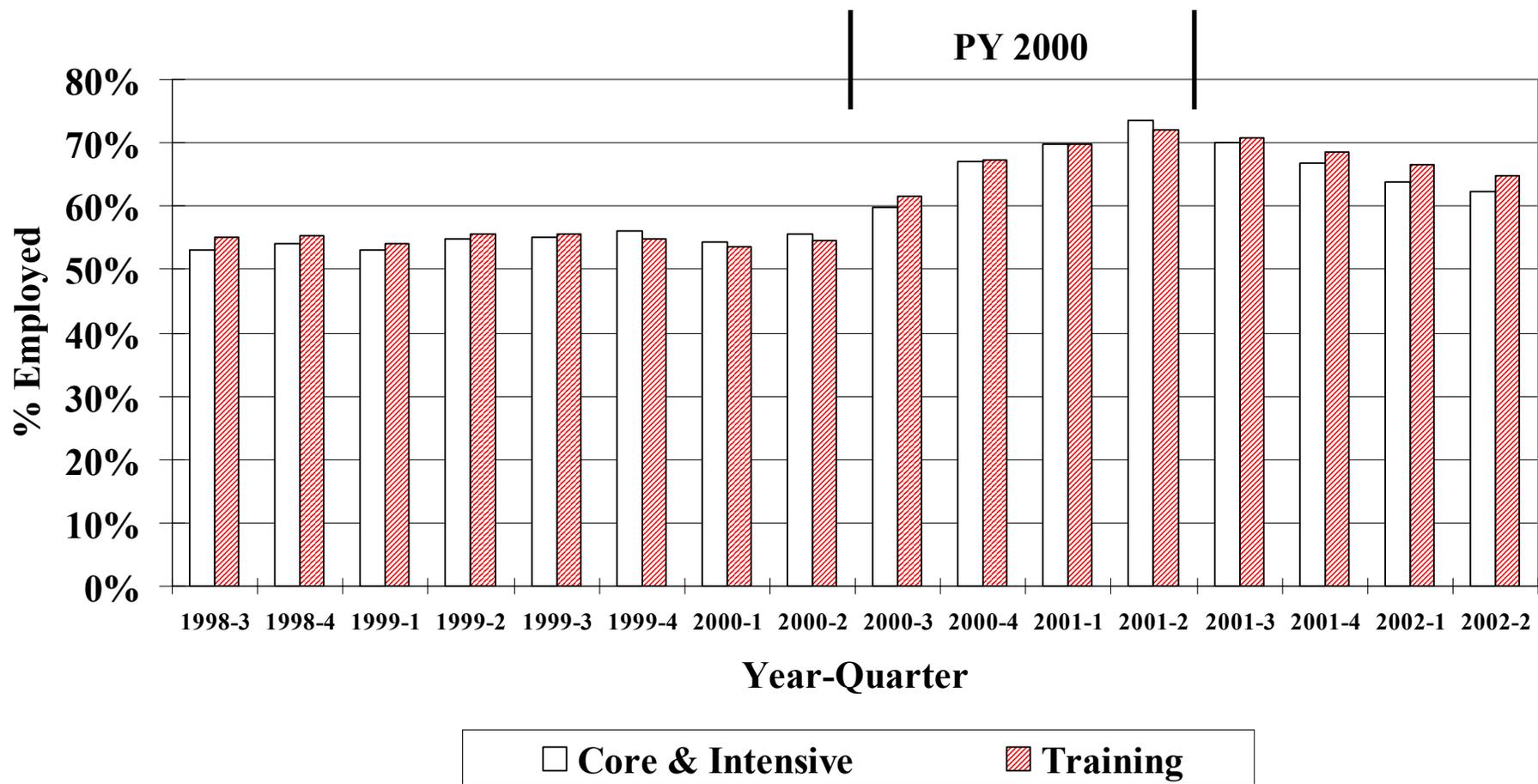


FIGURE 2
Quarterly Earnings for Employed WIA Exiters July 2000 - June 2001
Adult Clients Receiving Core & Intensive, or Training Services

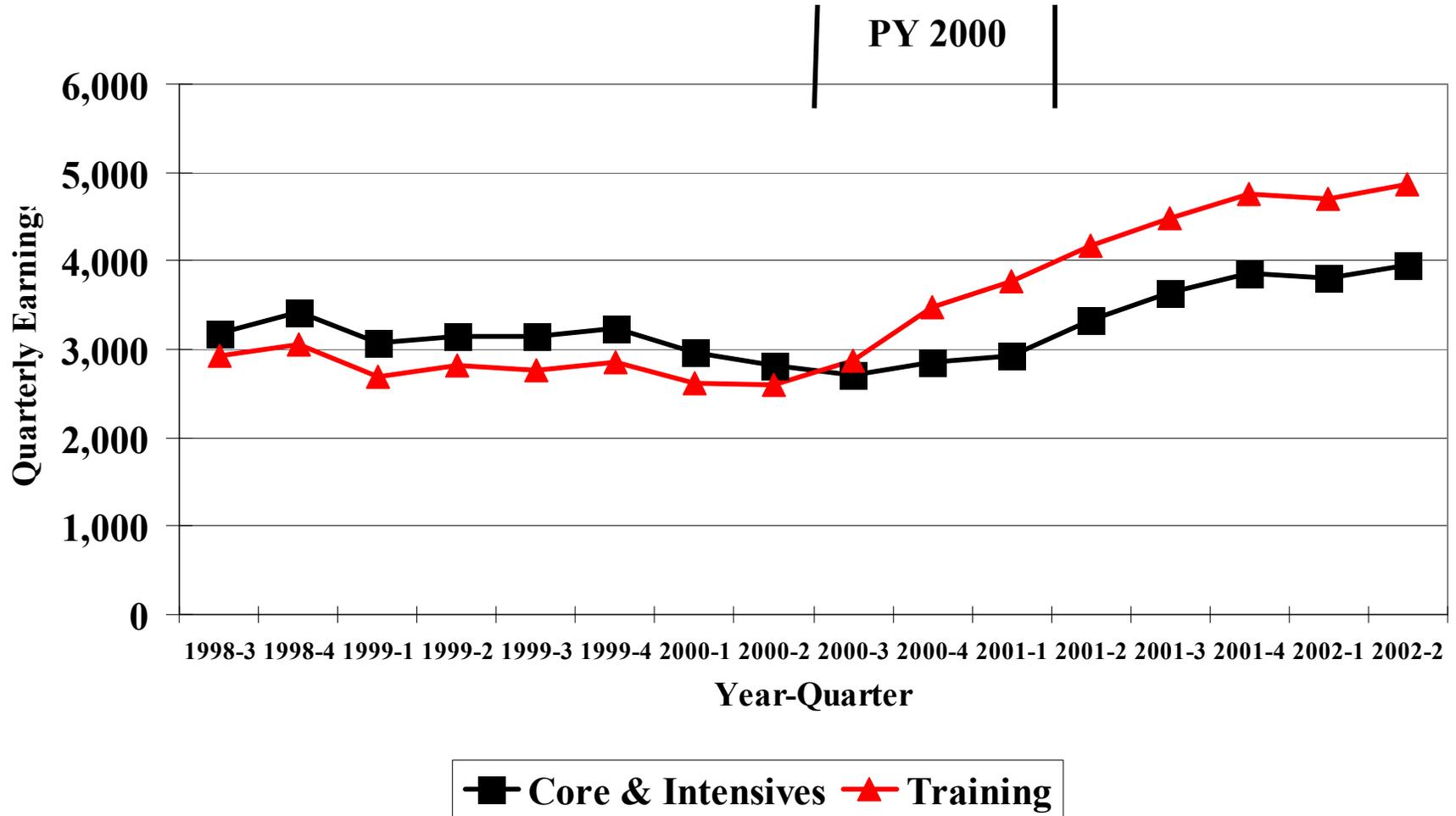


FIGURE 3
Quarterly Earnings for Employed WIA Exiters July 2000 - June 2001
Adult Clients Receiving Training Services by State

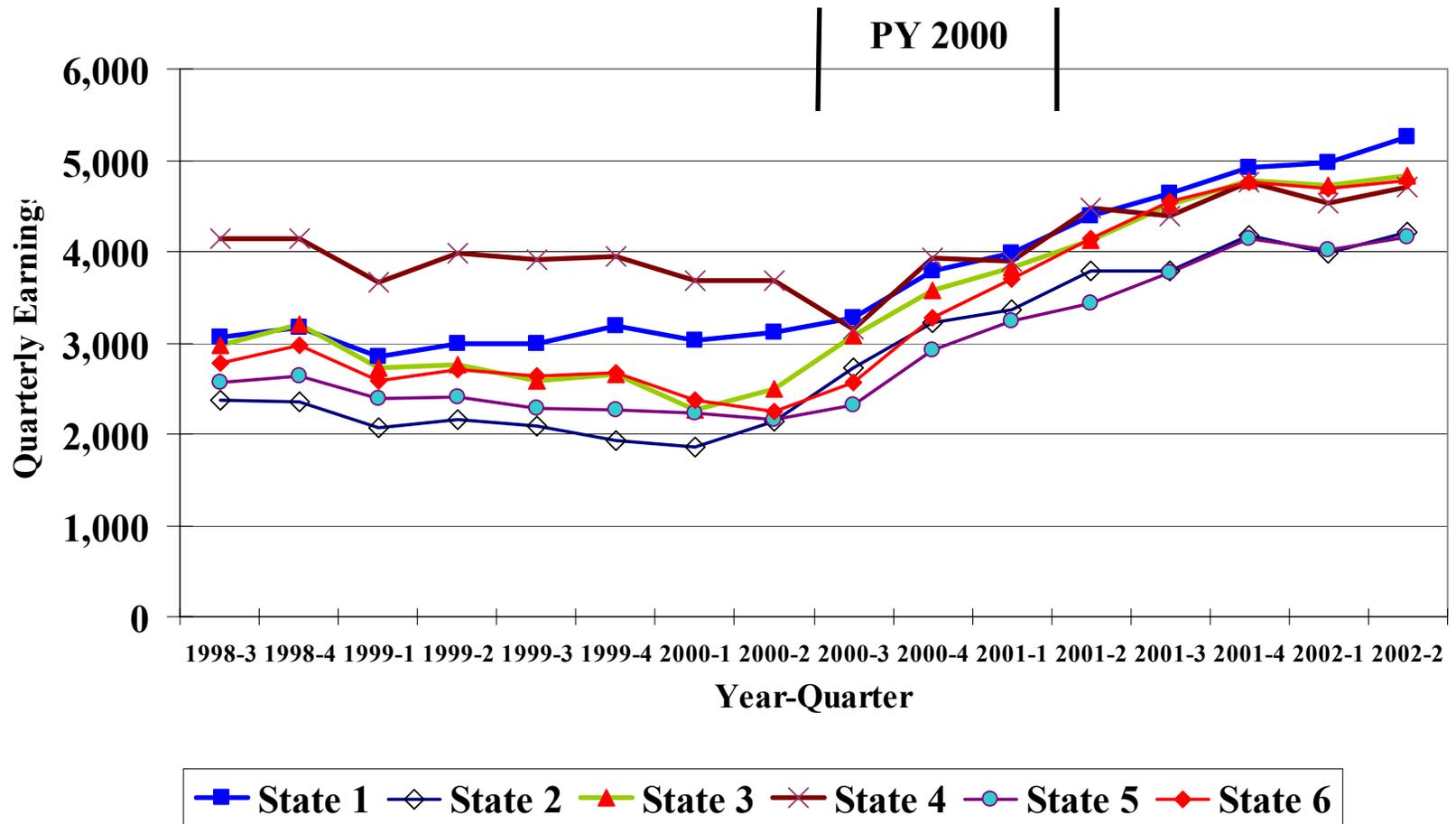


FIGURE 4
Employment for WIA Exiters July 2000 - June 2001
Dislocated Worker Clients Receiving Core & Intensive, or Training Services

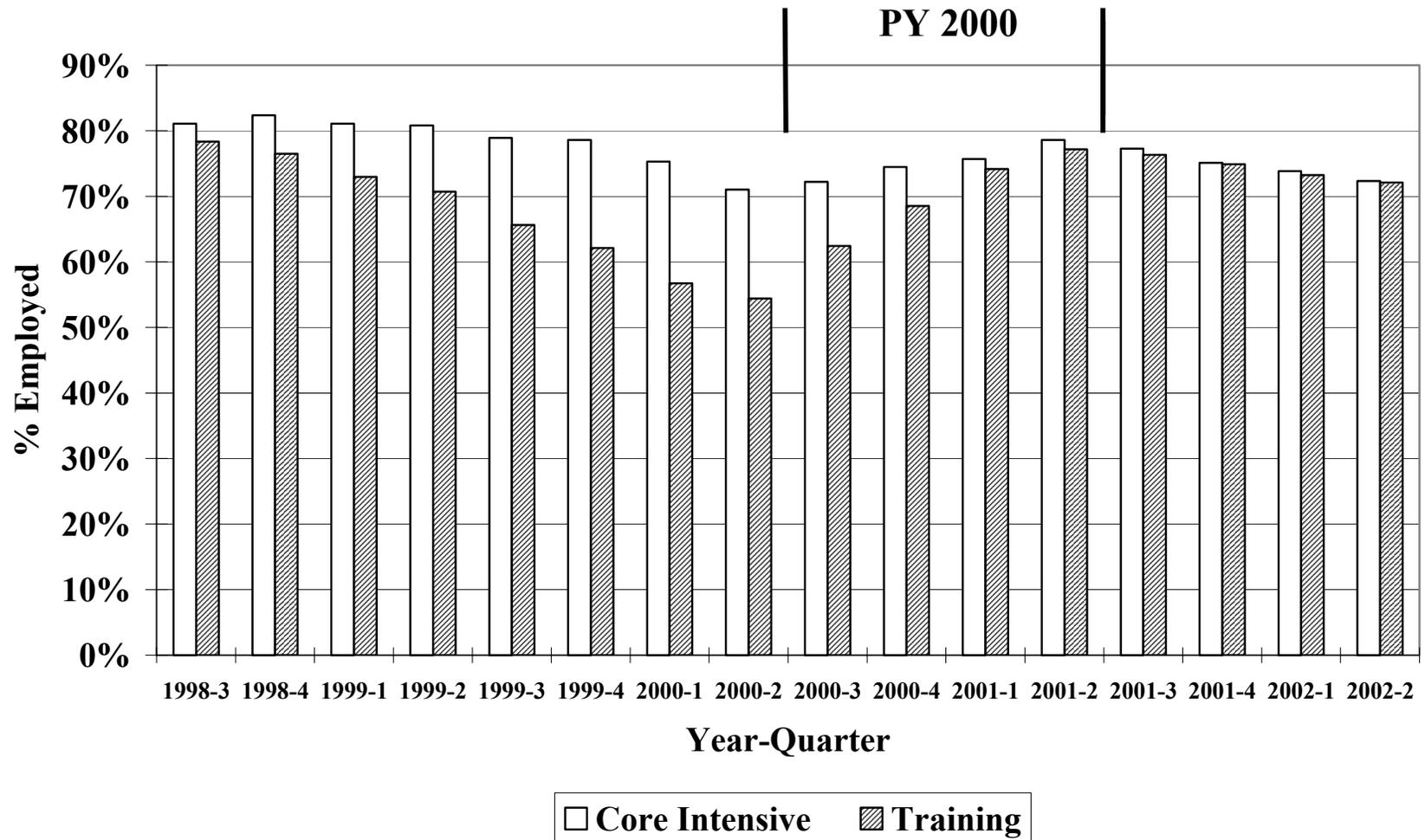


FIGURE 5
Quarterly Earnings for Employed WIA Exiters July 2000 - June 2001
Dislocated Worker Clients Receiving Core & Intensive, or Training Services

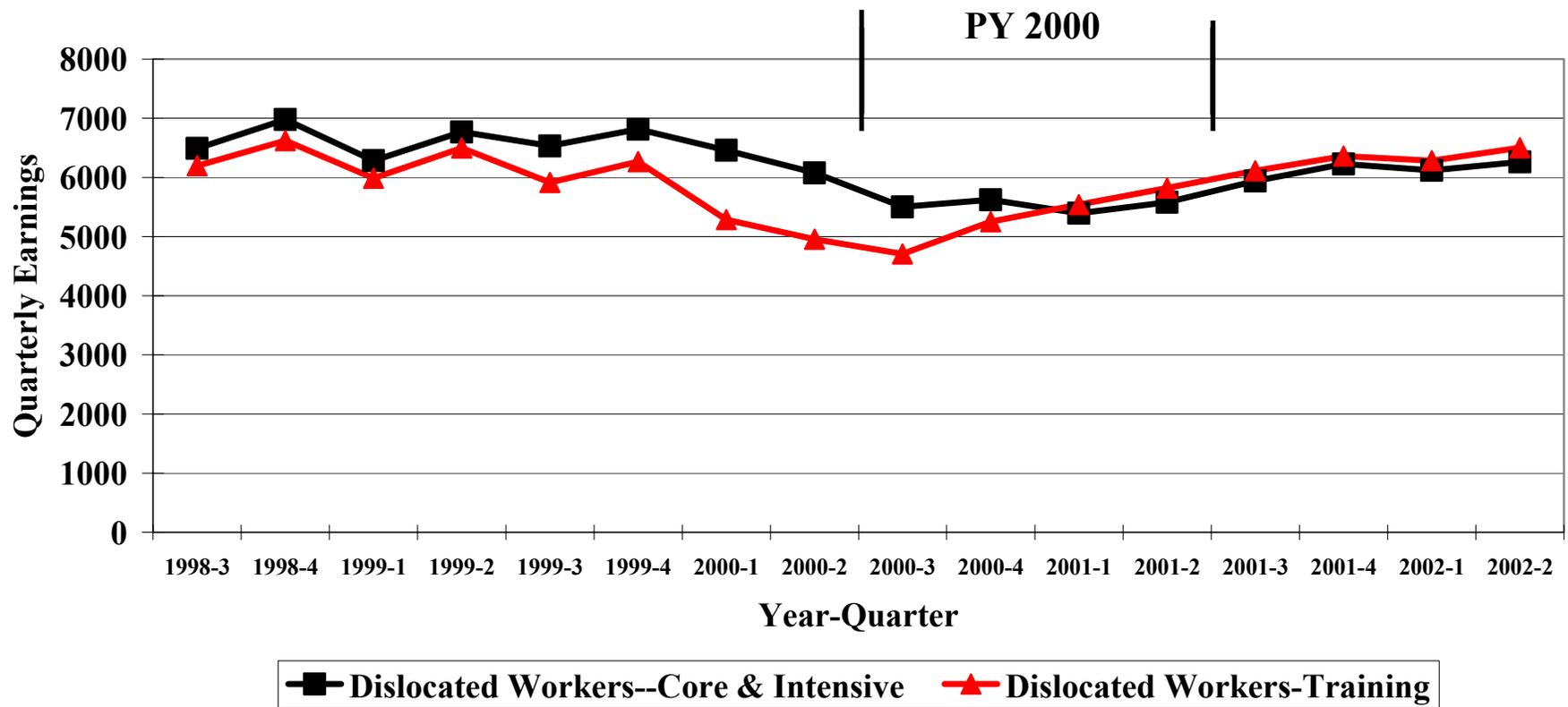


FIGURE 6
TANF Receipt for WIA Exiters July 2000 - June 2001
Adult Clients Receiving Core & Intensive, or Training Services

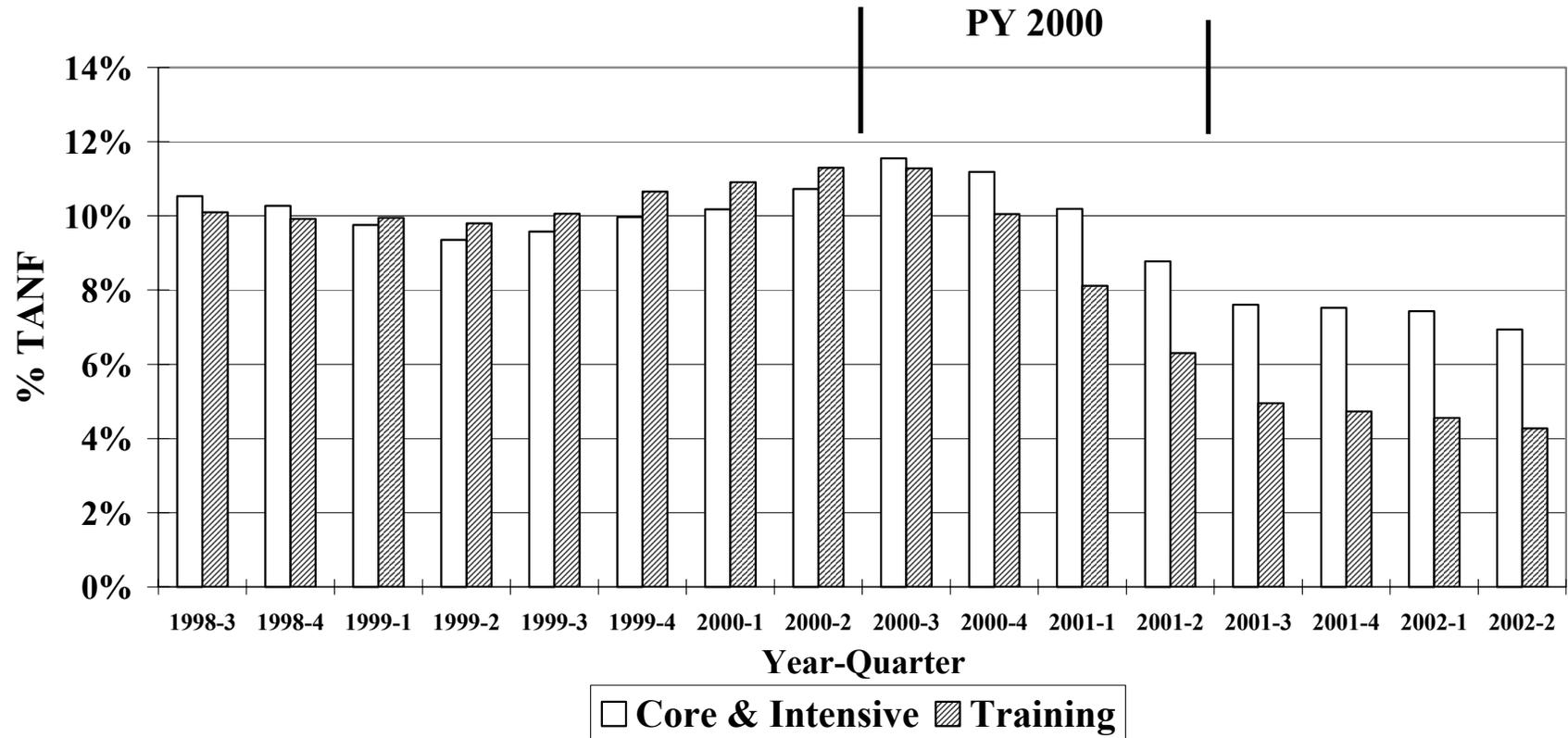


FIGURE 7
TANF Receipt for WIA Exiters July 2000 - June 2001
Dislocated Worker Clients Receiving Core & Intensive, or Training Services

