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**Net Impact Study for the
Training Benefits Program
2002 through 2016 – plain talk**



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Net Impact Study for the Training Benefits Program 2002 through 2016 – plain talk

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Net Impact Study for the Training Benefits Program 2002 through 2016 – plain talk

The goal of this study is to analyze the net impact of the unemployment insurance (UI) training benefits (TB) Program on participants' earnings, employment, and training achievements. The program targets dislocated workers, veterans, members of the National Guard, low-income individuals and the disabled. It is intended to assist participants as they train for high-demand work and enhance their marketable skills.

To conduct our study, we grouped TB participants into 15 yearly cohorts beginning in 2002 and ending in 2016. This allowed us to evaluate program outcomes for different economic events such as the Great Recession of 2008 to 2009 and the expansionary period of 2010 to 2016.

To measure the program's effects, we compared TB participants to groups of UI claimants who did not participate in the program but were statistically similar to those who did. We refer to these groups as a control group. We used Employment Security Department (ESD) administrative data, and data from the Washington Education Research and Data Center (ERDC) to study earnings, time employed, and enrollment in training programs. For information on methodology, see the technical document at esd.wa.gov/labormarketinfo/training-benefits.

During the first few years, TB participants are far more likely than their peers to seek training. During this training period, they are less likely than their peers to work, and forego roughly one year of earnings. After this training period, the TB participants are somewhat more likely than their peers to be employed, but typically do not earn more than their peers. As such, the average net impact of the program is an overall loss of earnings.

However, there are two groups of participants who tend to benefit from the TB Program: (1) younger people and (2) poorer people. The average net impact of the TB Program for younger and poorer participants is an increase in lifetime earnings. We also find that younger TB Program participants who enroll in healthcare, education, mechanics, transportation, or physics classes tend to benefit more from the program than young TB participants who enroll in other classes.

Earnings' results

The average net effect of the program on earnings is large and negative

The typical TB participant forgoes roughly one year of earnings in their lock-in period; the net impact of the program on their earnings during the first three follow-on¹ years is negative and statistically significant. Program participants tend to earn about \$40 thousand less than people in the control group in the first three years after entering the program.

Most study cohorts eventually catch up to the same level of annual earnings as the control group. After five years, the typical cohort has no statistically significant differences between TB participant and control group earnings. As such, the average net effect of the program on earnings is large and negative. The 2002 and 2003 cohorts were an exception.

¹ We call the year after treatment "follow-on year one," the second year after treatment "follow-on year two," and so on.

Young people and poorer people benefit from the TB Program

Young people and poorer people benefit more from participating in the TB Program. In fact, the average person under the age of 28 benefits from participating in the TB Program. In all age groups, the poorer people in that group tend to benefit from the TB Program. People under the age of 36 who earned less than \$40 thousand in the year before enrolling in the TB Program benefited from participating in the TB Program on average. More than half of the TB participants under the age of 36 earned less than this amount. People between the ages of 36 and 46 who earned less than \$30 thousand in the year before enrolling in the TB Program benefited on average. People older than 46 who earned less than \$17 thousand in the year before enrolling in the TB Program benefited from the TB Program on average.

Employment results

Typically, TB participants enroll in training and remain unemployed for two to three years while they are in training. Therefore, on average, the program has a large negative effect on percent of time employed during the first three years after enrollment. After five years, program participants in the 2002 to 2005 cohorts are more likely to be employed than those who did not participate. Overall, participants in these early cohorts enjoy an increase in the likelihood that they are employed because of their program participation.

For the 2006 to 2016 cohorts, program participation has mixed effects on employment. For instance, the 2006 cohort had positive effects in follow-on years four to seven, the 2007 cohort had a positive effect in follow-on years eight to 11, and the 2008 cohort did not have an increase in employment probability at all. Overall, the results for these later cohorts are somewhat positive starting in follow-on year four. The average net effect of the program, however, is that TB participants in these cohorts tend to spend less time employed than their peers in the follow-on years we observe. The modest increase in the likelihood of employment after follow-on year four does not offset the large initial reduction in the likelihood of employment.

Training results

The TB Program has a clear and positive effect on the probability that participants train in the first three years. On average, in the first year, TB participants are 64 percent more likely to train than control group members. Some control group members train, but not many. Some who sign up for the TB Program do not train, but then they lose eligibility for the additional unemployment insurance benefits and are removed from the program. In general, the program successfully increases the chances that people seek new skills and knowledge by attempting to earn training course credits.

People who took courses in protective services, healthcare, and education fared *relatively* well. The average net impact of the TB Program on earnings is still negative for these participants, but it is relatively high compared to other TB participants. Young people who took healthcare courses benefitted from the TB Program, on average. However, young people that studied information services have a negative average predicted impact on their earnings.

In all, the TB Program accomplishes its goal of encouraging participants to gain additional training. The skills and accreditation they acquire, while they do not increase participants' earnings potential on average, may help them shift from a contracting sector to a growing sector. This occupational change may be so valuable to the participants that it offsets the large loss of earnings TB participants typically experience, but we lack the data to test this hypothesis.

2002 and 2003 cohorts

The 2002 and 2003 cohorts are atypical. The program has large, positive, and statistically significant effects on earnings and percent of time employed for people in the 2002 and 2003 cohorts. In contrast to the 2004 to 2016 cohorts, a substantial number of people who enrolled in the program in 2002 and 2003 were male and came from the aerospace industry (approximately 45 percent of participants in these cohorts had jobs in this industry before being admitted into the program). These subjects, during their time in the program, likely trained in very technical or specialized training areas (e.g., aerospace engineering), which may have reinforced their already high marketable job skills. After leaving the program, these participants found well-paid jobs relatively quickly.

After 2004, the proportion of participants coming from the transportation manufacturing industry (which includes the aerospace sub-sector) is very low. Almost half of the people in the early cohorts came from the aerospace industry, and the TB Program has a positive impact for these people. Roughly three percent of the later cohorts are comprised of individuals from this industry. The differences in average outcomes for the 2002 to 2003 cohorts and the later cohorts are partially explained by the facts that (1) people from the aerospace industry tend to benefit from participating in the TB Program and (2) the early cohorts have a much higher percent of people coming from this industry.

Summary

The main takeaways from this study are:

- On average, for the entire population, the net effect of the program on earnings and employment is negative.
- On average, for younger and poorer participants specifically, the net effect of the program on earnings and employment is positive.

For more detailed results, see the technical document at esd.wa.gov/labormarketinfo/training-benefits.