

Community College Training and the Workforce Investment System

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1.0 Introduction

The rapid pace of technological change in the U.S. economy means that doors to job opportunities in growing sectors are continuously opening, while job opportunities in stagnant sectors are declining. The implication for American workers is the importance of an education and training system that must be first, accessible, and second, targeted to real employment opportunities. Community colleges are the principal provider of training services to adults looking for employment or seeking to retain existing jobs, as well as to traditional students in the 18-22 year age category. In terms of accessibility, community colleges typically offer open admission and charge low tuition. This makes community colleges the principal gateway to postsecondary education for minorities and first-generation college students and for immigrants seeking language skills and a better understanding of American culture.

As far as providing the training needed for today's jobs, community colleges have over the years broadened their missions beyond the traditional "transfer function" to include a heavy emphasis on occupational skills training as well as adult basic education. In addition, community colleges perform an important economic development function by supplying "contract" training to local business firms and government agencies. In his February 2004 State of the Union Address, President Bush recognized their critical role in the employment and training system by proposing \$250 million in additional funding to community colleges that partner with local employers to provide training in high-demand skills.

The purpose of this report is to examine areas of research that might be of interest to the Employment and Training Administration (ETA) from the perspective of increasing the participation and effectiveness of community colleges in our national employment and training system. Currently, the Nation is operating under the workforce investment system established in 1998 by the Workforce Investment Act (WIA). Section 2.0 of the report sketches the main elements of WIA and outlines the organization of the workforce investment system. Following in section 3.0 are nine research questions involving the role of community colleges in the workforce investment system. These questions are organized under three headings: (1) community colleges and local labor market efficiency, (2) the effect of WIA on incentives faced by community colleges, and (3) WIA and the demand for community college training.¹

The bulk of this report discusses the evidence available to answer these research questions. To provide context for the discussion, section 4.0 presents summary data comparing community colleges and the workforce investment system in terms of size, services delivered, and student and participant characteristics. With this background, section 5.0 then considers evidence relating to the effect of community colleges on the efficiency of local labor markets. WIA's effect on community college incentives is examined in section 6.0, while section 7.0 addresses the effect of WIA on the demand for community college programs.

Section 8.0 outlines some important issues that have not been adequately addressed in the existing literature and suggests several policy questions that appear to warrant ETA consideration for future research support.

2.0 Key Elements of WIA

WIA maintains separate funding streams for three major targeted population groups—dislocated workers, disadvantaged adults, and youth. However, services for dislocated workers and disadvantaged adults are combined into a single program model. The guiding principles of the Act are the following:

- Universal access to services
- Hierarchy of services
- Consumer choice and individual responsibility
- Accountability of service providers
- Decentralization of authority

This section discusses, in turn, how each of these guiding principles is implemented.

Beginning with the principle of universal access, WIA replaced the Job Training Partnership Act (JTPA) that had guided the Nation's employment and training system since the early 1980s. JTPA limited access to services to adult participants who were economically disadvantaged and who faced at least one significant barrier to employment.² Most eligible participants received training services including adult basic skills and occupational skills training. WIA removed these restrictions on access to services reflecting the underlying philosophy that in a dynamic economy virtually all Americans may find themselves needing one or more workforce services at some point in their working lives.

WIA established a three-level hierarchy of services consistent with the “work-first” philosophy of welfare reforms of the 1990s. To expedite movement of the unemployed into jobs, all eligible workers receive “core” services that consist of short-term interventions including job search assistance, career counseling, and labor market information. Core services are typically delivered in a self-service environment.

A second level of services, called “intensive” services, is available to unemployed workers unable to obtain employment through core services. These services include assessment, individual employment plans, case management, and short-term prevocational services. In addition, intensive services are also available to employed workers (termed “incumbent workers”) in need of additional assistance to retain their jobs. Intensive services are usually delivered with staff assistance.

The third and final level of services is training. Training services include classroom occupational skills training, on-the-job training, customized training, job readiness training, and adult basic skills. Training services are available only to participants unable to obtain or to retain employment through intensive services. Moreover, training-eligible participants must meet the following tests: (1) they must possess the skill prerequisites for the training selected, (2) training programs selected must be linked to local job opportunities, and (3) training services must be

unavailable under Pell grants. Local One-Stop Career Center operators make the decision on the appropriate level of services.

The principle of consumer choice and individual responsibility is implemented through a training voucher provided to individual participants called an Individual Training Account (ITA). ITAs represent a substantial departure from past practices. Rather than program operators contracting with community colleges or other service providers for training courses, ITAs empower eligible participants to choose and pay for their own training program among those offered by approved providers termed “Eligible Training Providers” (ETPs).³ Use of training vouchers is intended to enhance competition among training vendors, thereby increasing their responsiveness to participants’ needs and the overall quality of their offerings. Information assisting participants in making their choices is collected in a Consumer Report System (CRS) and disseminated by One-Stop Career Centers.

WIA addresses the accountability of service providers by establishing a number of performance standards. Most training providers, including community colleges, are initially eligible for program participation for a period of up to 1 year. Following that first year, subsequent eligibility requires meeting state-level performance criteria specified for each approved program. For all individuals participating in approved programs, these performance criteria include: (1) program completion rates, (2) percentage of program completers employed, and (3) wages at placement in employment. For individuals receiving WIA funding who participated in an approved program, additional performance criteria include: (1) retention in employment measured 6 months after being placed in a job, (2) wages received after 6 months of employment, and (3) if applicable, the percentage of individuals who obtained a license or certificate, an academic degree, or another measure of skills. There are a total of 17 core performance criteria. State officials negotiate performance standards with the Federal Government, and then negotiate, in turn, with local area officials. Data collected and reported by training providers, in addition to determining provider eligibility, are disseminated by One-Stop Career Centers as consumer information.

The final WIA principle of decentralization of authority is accomplished through the three-tier organizational structure of the workforce investment system. At the top of the structure, each state is to establish a state Workforce Investment Board with the major responsibility of developing a 5-year strategic plan. Membership of the state board includes the Governor, two members of the legislature, business representatives (who are to constitute a majority of the board’s membership), and representatives of other organizations that might include community colleges. In the second tier, local Workforce Investment Boards play a key policymaking role, including designating One-Stop Career Center operators and local providers of training services. A majority of local board members must be members of the local business community, but community college officials may also serve.

The third and most important tier of the workforce investment system is the One-Stop Career Center delivery system. Each local Workforce Investment Board is to establish at least one One-Stop Career Center. Local One-Stop Career Centers typically provide core employment services and determine access to intensive and training services. Community colleges may compete to serve as One-Stop Career Center operators.

3.0 Research Questions

This discussion of the major provisions of WIA raises nine questions involving the role of community colleges in the workforce investment system. These questions are as follows:

- 1) Because training is to be linked to local job opportunities, is there evidence that attending a community college enhances earnings prospects, and do estimated returns differ across alternative fields of study?
- 2) How effective are community colleges in placing exiting students in jobs in local labor markets?
- 3) How involved are community colleges in supplying contract training and what can be learned from the contract training experience to make regular occupational skills curriculums more relevant to local employers?
- 4) Do community colleges under WIA place greater emphasis than before on occupational skills training?
- 5) Do community colleges under WIA have an incentive to raise admission standards resulting in enrollment of fewer disadvantaged students?
- 6) Given challenging WIA performance standards, how can Federal and state government agencies encourage community colleges to participate as training providers in the workforce investment system?
- 7) How common is it for community colleges to serve as One-Stop Career Center operators, to participate on local Workforce Investment Boards, and to provide intensive services?
- 8) How does the number of individuals receiving training under WIA compare to the number of training recipients under JTPA?
- 9) Does the ITA subsidy adversely affect the market share of community colleges?

Beginning in section 5.0, the evidence available to answer these questions is organized under three broad headings. Research questions 1-3 are grouped under the heading of community colleges and the efficiency of local labor markets. Research questions 4-7 involve the effect of WIA on incentives faced by community colleges, and evidence on these four questions is taken up in section 6.0. Finally, research questions 8 and 9 relate to WIA and the demand for community college training programs; section 7.0 addresses the available evidence on these two questions.

Before turning to the evidence, section 4.0 provides some background information on community colleges and the workforce investment system.

4.0 Basic Facts about Community Colleges and the Workforce Investment System

As indicated in table 1, U.S. community colleges currently provide academic services to approximately 10.4 million students from nearly 1200 campuses, most of which are in state community college systems. About 45 percent of all first-time college freshmen attend a community college, and 44 percent of all undergraduates attend a community college. Community college students tend to be older on average than 4-year college students, and nearly two-thirds of community college students are enrolled on a part-time basis. While geographic proximity, open admission, and low tuition policies make community colleges the gateway to higher education for individuals who would otherwise have little or no access, it is worth noting in the table that nearly one-third of students receive some form of aid. The primary sources of revenue for public community colleges are state funds, tuition and fees, and local funds. Federal funds comprise only 5 percent of community college budgets.

The number of individuals receiving WIA services is a small fraction of nationwide enrollment in community colleges. Program Year (PY) 2000 (July 2000–June 2001) data from the Workforce Investment Act Standardized Record Data (WIASRD) data set indicate that a total of 238,203 participants completed either WIA intensive or training services (Frank, Rahmanou, and Savner 2003). Shown in table 2 are data disaggregated for 85,081 adults and 76,401 dislocated workers who received some form of service. (WIA also served 76,721 youth.) For these two participant categories, receipt of training services is somewhat more common for dislocated workers than adults. About 56 percent of dislocated workers received training as opposed to 49 percent of adult participants. Among those who received training, in addition, occupational skills training clearly dominates on-the-job training (OJT) and adult basic skills training for both categories of participants. It is also interesting to note in table 2 that the number of ITA accounts is small in comparison to WIA recipients who received training. Among dislocated workers, ITA accounts represent only 35 percent of individuals who received training services and 38 percent of workers who received occupational skills training. For disadvantaged adults, ITAs represent only about 41 percent of individuals who received training services.

Comparing tables 1 and 2, WIA participants and community college students tend to be considerably older than the traditional college student age bracket of 18-22. In addition, females are more likely than males to enroll in a community college and to receive WIA services. In terms of education, table 2 shows that high school dropouts represent just 15 percent of adult WIA participants and that only 7 percent of participants have limited English proficiency. Percentages of high school dropouts and participants with limited English proficiency are even lower for dislocated workers.

5.0 Community Colleges and Local Labor Market Efficiency

Labor market efficiency typically refers to speeding up the matching of individuals seeking employment to vacant jobs in the local labor market. Training providers can increase labor market efficiency by: (1) putting in place training curriculums responsive to local employer needs, and (2) assisting trained workers in the employment search process. This section begins with an examination of the empirical literature measuring the impact of community college

training programs on labor market outcomes. Considered next are interim results from the U.S. Department of Education's (DoED) Community College Labor Market Responsiveness Initiative. Section 5.3 reviews a small number of studies that look at the performance of community colleges in placing their students. Concluding this section is an overview of the contract training literature. Table 3 summarizes the evidence on the three research questions addressed in this section, as well as evidence on the remaining six questions to be examined in sections 6.0 and 7.0.

5.1 Effect on Labor Market Outcomes

Kane and Rouse (1999) provide a survey of the limited literature, relative to that available for 4-year colleges, that supplies estimates of the labor market payoffs to community college programs. Studies using national data such as Kane and Rouse (1995) and Leigh and Gill (1997) demonstrate that a year's worth of credits earned at a community college is associated with a 5 to 8 percent increase in annual earnings, about the same impact as a year's worth of credits at a 4-year college. These studies also indicate that although there is a sizable premium for earning a degree or certificate of program completion, the average community college student who enrolls but does not complete a degree or certificate still earns 9 to 13 percent more than the average high school graduate.

This literature suggests that on average enrolling in a community college does enhance earnings prospects. Nevertheless, positive average earnings effects may disguise quite different effects estimated for different programs. Grubb (1996, ch. 3) makes the point that because occupational skills programs tend to be job-specific, the economic returns may be low or even zero if an individual cannot find training-related employment in the local labor market. In other words, data specific to alternative fields of study for a particular geographic area are needed to determine the benefits of occupational skills training. This, in turn, requires data sets that include a large number of community college students so that credible estimates can be produced for alternative fields of study. As indicated by Grubb and others such as Mueser, Troske, and Goreslavsky (2003), the most promising approach to obtaining a large enough sample of community college students is to make use of administrative data available at the state level matching community college student records, which contain field of study, to individuals' earnings records obtained from Unemployment Insurance (UI) earnings histories. Grubb summarizes results of a study of two California community colleges that use data matching student records with UI wage records. Cross tabulations presented show substantial differences in economic returns by field of study and by receipt of a degree or certificate.

A larger scale study using student records matched with UI wage records is Jacobson, LaLonde, and Sullivan's (2003, 2004) examination of the labor market payoffs to programs offered at all 25 campuses in the Washington State community college system. Their sample contains data for over 65,000 dislocated workers who lost their jobs during the first half of the 1990s. For each dislocated worker, 14 years of quarterly earnings records are available for analysis. Making use of the longitudinal nature of the data, Jacobson, LaLonde, and Sullivan reach four main conclusions. First, they find that the estimated results to a year of community college credits are substantial—about 9 percent for men and 13 percent for women. Second, these earnings gains are comparable in size for older and younger dislocated workers. Third,

earnings estimates are initially negative during the first year after leaving school, but they grow over time and show no sign of deteriorating after 10 years.

The final, and possibly most important conclusion for this report, is the authors' finding that earnings estimates differ substantially by major field of study. Specifically, large long-term quarterly earnings gains on the order of \$550 for men and \$830 for women are obtained for academic courses in science and mathematics as well as for more technically oriented occupational skills courses, including courses in health occupations. For all other community college courses, long-term earnings gains are much smaller.

Other than the major study by Jacobson, LaLonde, and Sullivan, studies are rare that use matched administrative data sets to investigate returns to alternative community college fields of study. However, a related study by Hollenbeck and Huang (2003) is of interest because it uses matched administrative data to evaluate three targeted workforce development programs that are based on community college occupational skills curriculums. Using Washington State data, the three targeted programs are Community and Technical College Job Preparatory Training, Community and Technical College Worker Retraining, and the Adult Basic Education Program.⁴ The Job Prep and Worker Retraining Programs are designed to provide technical skills saleable in local labor markets, with Worker Retraining targeted to dislocated workers.

Matching program data with UI wage records, Hollenbeck and Huang obtain short-term employment and earnings net impact estimates for participants who exited from education or training programs in fiscal year 1999–2000 and longer-term estimates for individuals who exited earlier in fiscal year 1997–98. Both the Job Prep and Worker Retraining Programs have sizable short-term impacts on employment (about 8 percent). Only Job Prep, however, has a positive short-term impact on quarterly earnings (about \$1,470). In the short term, the Adult Basic Education Program is found to decrease both employment and earnings.⁵ A more optimistic picture emerges in the longer run, especially for earnings. In the longer run, both Job Prep and Worker Retraining have positive effects on quarterly earnings—\$1,185 and \$423, respectively. In addition, the Adult Basic Education Program is found in the longer run to have a small positive effect on employment while having essentially no effect on earnings.

5.2 The DoED Community College Labor Market Responsiveness Initiative

More evidence on the linkage between community college training programs and employer needs will be forthcoming in a large-scale project funded by the DoED called the Community College Labor Market Responsiveness Initiative. The initiative has four phases. As part of phase I, Harmon and MacAllum (2003) provide a literature review intended to identify the characteristics of market-responsive community colleges. Their reading of the literature indicates that market-responsive community colleges share the following key characteristics:

- A leadership committed to the market-responsive mission of the college. This includes top college administrators interested in pursuing contract training opportunities with local employers.
- An established internal response mechanism dedicated to the rapid development of training curriculum to meet changing workforce demands. Such internal response

mechanisms often take the form of separate divisions (sometimes called “entrepreneurial colleges”) that are assigned the task of responding rapidly to changes in local economic conditions and training needs.

- Partnerships with businesses and local workforce and educational organizations to develop curriculums appropriate to local employer needs.
- Development of close ties to the community in order to stay current on local employer skill requirements, detect sudden shifts in training needs, and offer targeted and contract training.

The second component of phase I is an empirical study of factors associated with colleges with exemplary market-responsive programs. Jacobson (2003) describes characteristics of 50 community colleges identified as exemplary that distinguish them from other colleges among the nearly 1,200 community colleges in the U.S. Exemplary community colleges tend to be institutions: (1) with large enrollments, (2) located in affluent areas of large cities, often suburbs, and (3) that receive substantial revenue from local sources.

Phases II, III, and IV of the DoED initiative are currently being carried out. Phase II involves site visits to at least 3 colleges in each of 10 labor markets. The objective of the site visits is to identify policies and practices that are effective in promoting labor market responsiveness. Building on the Jacobson, LaLonde, and Sullivan study, phase III consists of analyzing matched administrative data from transcript files and UI wage records to estimate the effect of community college attendance on employment and earnings for states other than Washington. Finally, phase IV will develop a handbook for use by colleges and local communities that summarizes results of the technical analysis.

5.3 Job Placement

Turning to the placement of program graduates, community colleges can clearly enhance labor market efficiency by establishing relationships with local employers. Grubb (1996, ch. 6) describes that community colleges develop a variety of such linkages including advisory committees largely consisting of local employers, placement offices, informal placement by instructors, student followup and tracking, contract education, and various work experience and co-op programs. In his study of four local labor markets (Cincinnati, Fresno, Sacramento, and San Jose), Grubb concludes that while these linkages are common, they often work imperfectly. For example, he notes that placement offices at most community colleges are woefully understaffed, with the limited resources that are available devoted to finding part-time jobs for students rather than to assisting students leaving the institution to find permanent employment. Similarly, Deil-Amen and Rosenbaum (2003) contrast unfavorably the performance of community colleges relative to for-profit career colleges in providing placement services for graduates and finding part-time employment for students that is related to career goals.⁶

Macro, Almandsmith, and Hague (2003, ch. 8) mention that WIA performance standards may encourage community colleges to increase the resources they devote to job placement. Judging from the evidence collected in their site visits, however, only a few colleges have

increased their hiring of job developers and placement staff. (More detail on the Macro, Almandsmith and Hague (2003) WIA implementation study is presented in section 6.0.)

5.4 Contract Training Programs

Contract training programs differ from regular community college curriculums in three respects. First, courses are tailored or customized to meet the training requirements of particular employers. Second, the cost of training is paid for directly by the employer or by a government entity on behalf of the employer. Contract training thus may supply an important incremental source of revenue for financially hard-pressed community colleges. Third, contract training courses are typically designed to improve the skills of incumbent workers or those of unemployed workers seeking employment with the particular employer.

Virtually all community colleges provide contract training to local employers. Dougherty (2003) points out, however, that the level of contract training activity varies substantially across colleges. In particular, contract training varies with the size and industry mix of local employers. Measuring establishment size by number of employees using national employer data, Dougherty reports that utilization of community colleges for formal training ranges from 26.5 percent for establishments with less than 100 employees to 57.0 percent for establishments with 500 or more employees. The positive relationship between employer size and utilization of community college training is expected for a number of reasons. These include the observations that: (1) large firms are more likely to provide formal as opposed to informal training opportunities, (2) large firms are more likely to offer a formalized occupational structure that aids in employee retention, (3) large firms can spread the fixed costs of training programs over a greater number of trainees, (4) large employers are more aware of community college training programs and better able to leverage government subsidies, and (5) working with larger employers is more attractive to community colleges because of the larger enrollment base and the greater potential for future economic and political payoffs.

With respect to industry mix, Dougherty reports rates of community college utilization as low as 24.1 percent and 9.4 percent, respectively, for employers in wholesale trade and retail trade. At the other extreme, community college utilization rates for employers in durable goods manufacturing and finance, insurance, and real estate are 47.1 percent and 47.0 percent, respectively. Dougherty points out that while establishment size and industry composition are related, the large differences in community college utilization he observes also arise because state subsidies for workforce training tend to favor certain industries such as manufacturing over others.

Turning from the incidence of contract training to its effectiveness, Isbell, Trutko, and Barnow (2000) summarize the results of a DOL-funded assessment of nine exemplary contract training programs supported under JTPA. Industry affiliations of the nine employers involved in these programs include manufacturing, health care, banking, retail sales, temporary services, utilities, and transportation. Training services, which include classroom and on-the-job training as well as adult basic skills, were designed to prepare workers for specific job openings at the company sponsoring the training. Providers of training included community and technical colleges, for-profit career colleges, non-profit community-based organizations (CBOs), and

employers themselves. Participants are individuals eligible for JTPA assistance who were screened according to company employment criteria.

Isbell, Trutko, and Barnow indicate that contract training yields a number of benefits. These include (1) a high rate of program completion, (2) almost all training completers obtain jobs, (3) hourly wages that exceed average wages for similarly skilled workers in the local area, (4) uniform receipt of fringe benefits, and (5) high retention rates.

Given the benefits of contract training, the authors raise the question of why contract training is not more widely used. They suggest that there are four main barriers. First, local labor markets must be tight so that employers face an excess demand for workers possessing occupational skills. Second, small and mid-sized companies may lack the critical mass of workers and resources needed to undertake contract training programs. Third, the time and effort involved in negotiating and designing a contract training program can be considerable for both the employers and the local government agency. Finally, wariness of government red tape and uncertainty of future government support cause employers to have reservations about the wisdom of committing to contract training.

A second study by Krueger and Rouse (1998) is also worth discussing because it is specific to contract training supplied by community colleges, and it provides a quantitative assessment using college administrative records and employer personnel files. The government-subsidized community college training was offered to incumbent workers at two mid-sized companies in New Jersey, and the content of the training was largely adult basic education targeted to low-skilled workers. Krueger and Rouse find modest employment effects for training participants, although there may have been negative selection into both programs. For the service company studied, there is no significant effect of the program on wage changes of participants relative to nonparticipants. However, participants were more likely to be nominated for or to win a performance award following training. For the manufacturing company examined, average wage growth for trainees is higher than that for nontrainees, and trainees are more likely to bid for new jobs and to receive promotions than comparable nontrainees.

A final issue concerning contract training is the possibility of transferring lessons learned from community colleges' contract training experiences to the general college curriculum. The point is that reaching a contract training agreement with local employers provides an important opportunity for college administrators to acquire concrete information about the skills employers require. The primary barrier preventing the communication of these lessons learned is, as noted by Harmon and MacAllum (2003) and Grubb (1996, ch. 6), the separation of contract training in many colleges in its own independent office with its own distinct course offerings and instructors. As a result, these authors suggest that a valuable opportunity is lost for making use of information gained through a college's contract training operation to make regular occupational skills course offerings more relevant to employers.

6.0 The Effect of WIA on Incentives Faced by Community Colleges

Important provisions of WIA may have the effect of changing the incentives faced by community college administrators regarding decisions on admissions, curriculum mix, and

participation in the workforce investment system. In this section, research questions 4-7 are examined using evidence generated by four WIA implementation studies: D’Amico et al. (2001); Macro, Almandsmith, and Hague (2003); Barnow and King (2003); and Shaw and Rab (2003).

Evidence developed in D’Amico et al. is based on data collected from site visits to 13 grantees that participated in a demonstration project. Six of these grantees are local workforce investment areas including Baltimore, Indianapolis, Macomb/St. Clair, Portland, Southeast Los Angeles County, and Southwest Connecticut. The other seven grantees are states including Georgia, Missouri, Nebraska, North Carolina, Ohio, Pennsylvania, and Texas. These site visits were carried out in the late summer and fall of 2000. D’Amico (2002, 2003) reports on subsequent visits to each of these sites during 2001 and 2002.

Evidence presented by Macro, Almandsmith, and Hague (2003) is based on case studies of 16 local Workforce Investment Boards in 8 states (2 per state). States included are Florida, Massachusetts, Nevada, New Jersey, Oregon, Pennsylvania, Texas, and Wisconsin. The case studies were carried out for PY 2001 (July 1, 2001 to June 31, 2002). The authors (2003, ch. 8) note that the sites studied are “early implementers” of WIA because all received One-Stop Career Center implementation grants and several also received ITA demonstration grants.

The interim report by Barnow and King (2003) presents evidence obtained from site visits beginning in the summer of 2002 to 8 states, 16 local workforce areas (2 per state), and over 30 One-Stop Career Centers. States studied include Florida, Indiana, Maryland, Michigan, Missouri, Oregon, Texas, and Utah.

Shaw and Rab (2003) made site visits to three community colleges in each of six states (Florida, Illinois, Pennsylvania, Massachusetts, Rhode Island, and Washington). Interviewed at each site are faculty members and administrators and welfare and WIA caseworkers. Shaw and Rab also carried out interviews with state government officials and conducted focus group sessions with groups of low-income workers. The timing of their site visits and interviews is not indicated. The D’Amico et al. (2001), Macro, Almandsmith, and Hague (2003), and Barnow and King (2003) reports are based on larger studies that received DOL funding. In contrast, the Shaw and Rab study is part of a larger research project funded by three private sector foundations: the Atlantic Philanthropic Foundation; the Russell Sage Foundation; and the Annie E. Casey Foundation.

6.1 Incentive to Change the Mix of Program Offerings

Under WIA there are two incentives for community colleges to alter the mix of programs they offer. The first stems from the WIA requirement that continued certification of a community college as an ETP means satisfying 17 core performance criteria. It is important to note that for each community college all of its approved programs must meet these criteria. Hence, as emphasized by D’Amico et al. (2001, ch. IV), the ETP list is actually a list of training programs, rather than a list of training vendors. Section 2 summarized the 17 criteria which include rates of program completion and subsequent employment and earnings.

As noted by D’Amico et al. (2001, ch. IV), an important issue in this context is the usual design of community college programs as sequences of courses. The concern is that completion

and employment rates might look quite low, especially in comparison to rates calculated for for-profit career colleges, if some students take the first course in a program on the ETP list without any intention to complete the entire program. Such students might be seeking only to gain exposure to the field. Other students, such as retirees, might be interested in completing the program but have no interest in subsequent employment in a related field. In either of these cases, a community college may decide to restrict the list of programs it submits for approval to only those that will produce the best outcome measures. These programs, in turn, are likely to be programs taken by students interested in occupational skills training that allow them to qualify for local job openings.

The second incentive affecting mix of program offerings recognizes the influence of external factors such as the work-first philosophy existing at the creation of WIA, the influence of the business community on state and local Workforce Investment Boards, and the interest of state legislatures in encouraging economic development. As a consequence of these factors, a political climate may be created giving community colleges an incentive to alter their mix of programs, with occupational skills programs gaining in importance at the expense of traditional academic programs and adult basic skills.

Gumport (2003) reports on the insights gained from focus group sessions with community college presidents in which they describe their responses to changing external pressures. One of the points to come out of these discussions is the importance the presidents attach to guarding what they view as core educational values. In the context of adult basic education, a core value is the democratic principle of open access through low-tuition, open admissions policies. Another core value the presidents emphasize is availability of a comprehensive array of programs. Referring specifically to workforce training, the presidents expressed concern that the provision of contract training to local business firms might move workforce development from a periphery activity to becoming central to a college's identity.

Shaw and Rab (2003) present additional evidence for Florida and Illinois of a changed political climate under WIA. In Florida, a highly integrated workforce development system limits WIA clients attending any of the state's community colleges to only those programs listed on a statewide targeted occupations list. According to the authors, this list is determined by an occupational forecasting conference that considers employment, job openings, program placement, and earnings potential to determine a ranking of high-demand occupations for each of Florida's 24 regions. New programs developed by community colleges are tailored to meet the skills required in targeted occupations which in practice are largely associated with high-tech companies. Often the training offered is short term and nondegree because that is what is required for targeted occupations. Note the similarity of these training course options to programs typically supplied by for-profit career colleges.⁷ Shaw and Rab emphasize the inconsistency of the state's increased emphasis on workforce development with the WIA guiding principle of consumer choice.

In Illinois, Shaw and Rab suggest that WIA and the influence of the business community has led some community colleges to embrace workforce development as a primary mission of equal if not more importance than the academic mission.⁸ Their evidence is limited but still suggestive. Drawing on an interview with an administrator of one Illinois community college,

the authors note that workforce development appears to be gaining a more prominent place in college administrations. At this particular college, in addition, enrollment in occupational skills programs increased in the post-WIA period from 24 percent of all students in 1999 to 32 percent in 2001.

6.2 Incentive to Enroll Fewer Disadvantaged Students

JTPA allowed for performance standards to be adjusted using a regression model that takes account of differences across colleges in participant characteristics and local economic conditions. WIA dropped the regression adjustment and, instead, mandated that performance standards are to be negotiated and adjustments made only if an appeal is filed. A major concern is that lack of an adjustment procedure will lead to “cream skimming” in the selection of WIA participants. For One-Stop Career Center operators, cream skimming takes the form of enrolling only those clients who are likely to contribute to positive results on required performance measures.

For community colleges, two incentives exist that may lead to cream skimming expressed in higher admissions standards. The first is that while cream skimming at One-Stop Career Centers may lead to higher quality enrollees in community college programs, WIA performance criteria apply to all students enrolled in approved courses rather than just WIA participants. Hence, overall community college admission standards may be adjusted upward to satisfy performance standards. A second incentive leading to higher admission standards is that the political climate established under WIA may lead community colleges to deemphasize adult basic skills as they emphasize occupational skills programs that lead to more immediate employment. With fewer adult basic skills courses to offer, it may make sense for community colleges to limit the demand for these courses by raising admission standards.

The available literature looks at cream skimming at the level of program operators rather than at the level of service providers like community colleges. Hence, only a brief overview will be provided of this substantial literature. In a recent paper examining cream skimming under JTPA, Heckman, Heinrich, and Smith (2002) summarize the state of the existing literature and report new evidence. Two of their findings stand out. First, they present evidence of cream skimming at the enrollment stage where program staff members have the most influence. Conditional on application and acceptance, blacks, high school dropouts, persons from low-income families, and those without recent employment experience are found to be less likely to be enrolled than others. Second, the authors question the usefulness of JTPA performance standards because the short-term outcomes on which they rely appear to have essentially no relationship with desirable long-term impacts on employment and earnings. In connection with the first finding, Barnow and Smith (2004) draw the immediate implication for WIA: The absence of a regression model to adjust standards for serving individuals facing labor market barriers should make the incentive to cream skim even stronger under WIA than it was under JTPA.

Cream skimming under WIA is addressed in the evaluation reports by Shaw and Rab (2003) and Barnow and King (2003). Drawing on interviews carried out in Rhode Island and Florida, Shaw and Rab describe the pressure exerted on One-Stop Career Center operators to

meet performance targets by enrolling only participants expected to produce successful outcome measures. The most disadvantaged applicants, in other words, tend to be denied needed education and training services because they are never enrolled in the workforce investment system and are not eligible for ITAs. Barnow and King (2003) add that in a majority of the states they studied (specifically Indiana, Maryland, Michigan, Missouri, and Texas), local Workforce Investment Boards took steps to enroll individuals predicted to do well on performance measures and to terminate from programs individuals expected not to do well.

6.3 Incentive to Opt Out as a Training Provider

Sections 6.1 and 6.2 raised the possibilities that community colleges will respond to WIA by changing the mix of programs offered or by raising admissions standards. However, the possibility also exists that colleges will make neither change but instead will decide to stop submitting performance reports; thus, voluntarily opting out as an approved training provider. To clarify the incentives involved, briefly consider the costs and benefits of meeting WIA performance standards. There are two primary cost considerations. The first, already described, is that pressure to meet stringent performance standards may oblige a community college to emphasize occupational skills training programs and to raise admissions standards. If the college feels that it is already appropriately responding to the needs of its local community, it will be reluctant to make either or both of these changes. The second is the significant out-of-pocket cost of developing and implementing a tracking system to collect data needed to satisfy performance requirements.

On the benefit side, the primary benefit of continuing as an approved training provider is additional student enrollment. Of course, this benefit hinges on the number of WIA-funded students a college anticipates that it will attract. If this number is expected to be small because little money remains for training services after taking care of core and intensive service needs, the college has little incentive to shoulder the costs of maintaining eligibility.

Evidence on the effect of WIA on the demand for community college programs will be considered in detail in section 7.0. To anticipate this discussion, it is clear from the WIA implementation reports that community colleges (correctly) expected the new law to lead to a sharp reduction in the number of WIA-funded students. Given this expectation, it is reasonable for community colleges to refrain from committing scarce resources to collect and report performance data for their programs. In Texas, for example, D'Amico et al. (2001, ch. V) report that the number of approved programs dropped statewide by about 80 percent from initial eligibility, when no performance information was required, to subsequent eligibility. The authors suggest that nearly all of the drop was the result of Texas community colleges deciding not to participate. Macro, Almandsmith, and Hague (2003, ch. 8) also report that a number of long-term training providers in Oregon refused to go through the ETP process because the expected number of WIA-funded students was too few to warrant the effort to satisfy data collection and reporting requirements.

The WIA implementation studies discuss in detail the concern of state-level officials that community colleges may opt out as approved training providers. A major problem for states is that limited community college participation directly impinges on the scope of consumer choice

called for by WIA. D'Amico et al. (2001, ch. IV) describe the deliberations that took place in several states as state officials struggled to specify performance standards lenient enough to retain community colleges in the system but stringent enough to insure a minimum level of quality among training providers. D'Amico (2002) adds more detail for 11 of the 13 states for which vendor eligibility requirements were examined in 2002. Of these 11 states, 2 requested a DOL waiver to defer subsequent eligibility considerations until at least 2004 or 2005. Two more states intended to establish requirements for subsequent eligibility but had not yet done so at the time of the site visits.

Of the remaining seven states, D'Amico (2002) reports that all had reached decisions about what their performance requirements would be for vendor eligibility but only after protracted and often contentious discussion and debate. Two states set standards on just a few of the core measures of program performance. Three states set performance criteria on all or most of the core measures but expected vendors to meet the standards on just some of the criteria. Finally, two states established standards on all of the core measures and expected vendors to meet them all. Hence, the states surveyed varied considerably not only on their general approach to establishing performance standards but also on the levels of performance that vendors were expected to meet. To illustrate how performance levels varied for a particular performance variable, D'Amico (2002) reports that some states required vendors' programs to record a program completion rate as low as 25 percent, while other states required a completion rate of 70 percent.

Still another area in which states are attempting to work with training providers is in the collection of labor market information. It was mentioned in section 2.0 that WIA performance criteria include wage and employment data measured after 6 months on the job. These data are to be generated by matching administrative data from community colleges and other program providers with UI employment history records. Two studies using matched data of this type discussed earlier in section 5 are Jacobson, LaLonde, and Sullivan (2003, 2004) and Hollenbeck and Huang (2003). To lighten the burden on training providers to deal with large and complex administrative data sets, D'Amico et al. (2001, ch. IV) and Macro, Almandsmith, and Hague (2003, ch. 8) report that most states visited are working on procedures to centrally gather training provider performance data. The idea is that, with their greater resources and access to technology, the states are in a position to relieve community colleges of these data management problems.

Macro, Almandsmith, and Hague (2003, ch. 8) indicate, however, that few states have data currently available on training provider performance measures. Two states that appear to have made the most progress in this direction are Florida and Texas. In Florida, Macro, Almandsmith, and Hague (2003, ch. 8) describe that WIA participants are followed using the community college tracking database called the Florida Education and Training Placement Information Program. This database is linked to UI wage records allowing labor market outcomes to be measured for WIA participants and community college students alike. In Texas, D'Amico (2001, ch. IV) describe that training providers who are approved by the Texas Higher Education Coordinating Board are allowed to use data on program completion rates required for certification from that body in lieu of providing WIA-mandated performance data.⁹

In still another approach to simplifying mandated performance requirements, Barnow and King indicate that Florida, Maryland, Oregon, and Texas are considering the idea of eliminating the difficulties involved in evaluating performance by individual program by moving to a concept of “system measures.” Under this approach, performance is measured on a geographic basis (for the entire state or for a local area) rather than on a program basis. Of course, eliminating performance measurement by program has the downside of restricting the information that could be made available to ITA recipients as they seek to make informed choices between programs offered by the same vendor and between alternative vendors offering the same program. Moreover, measuring performance across a geographical area that includes more than one community college fails to allow for the possibility that individual community colleges differ in their missions. Gill and Leigh (2004) examine this issue for the 108 community colleges in the California community college system. They reach two main conclusions. First, community colleges do appear to differ in the program mixes they provide suggesting important differences in their missions. Second, inter-college differences in program mix can be reasonably explained by differences in college-specific characteristics such as proximity to a 4-year college, demographics of the local community, and characteristics of the local labor market. In other words, observed differences in missions across colleges appear to make sense in terms of local community needs.

6.4 Incentive to Participate on Workforce Boards, Operate One-Stop Career Centers, and Serve as Intensive Service Providers

Section 3.0 indicated that community colleges may participate in the workforce investment system, in addition to their role as training providers, by serving as a member of state or local Workforce Investment Boards, as operators of One-Stop Career Centers, or as providers of intensive services. Barnow and King (2003) discuss the relative importance on state and local Workforce Investment Boards of business leaders, union officials, community college administrators, and state and local government officials such as Employment Service (ES) employees. Board membership would seem to offer community colleges the potential for gaining influence in setting policies regarding the assignment of WIA-enrollees to alternative services, including training, and in negotiating performance standards. Nevertheless, there seems to be little evidence that community college leaders are active on state and local boards. A surprising result in view of WIA’s emphasis on business community participation is Barnow and King’s finding of a relatively modest role played by business at the state and local levels.¹⁰

Macro, Almandsmith, and Hague (2003, ch. 5) note that local Workforce Investment Boards have considerable flexibility in selecting One-Stop Career Center operators. For the 16 sites they examine, the most common category of operators is nonprofit organizations, followed by consortia of partner agencies. Nonprofit organizations operated seven One-Stop Career Centers at the study sites, and consortia of partner agencies operated five additional One-Stop Career Centers. Community colleges operated One-Stop Career Centers at three sites, including both Oregon sites and one site in Florida. Community colleges are more commonly represented among the partner agencies in consortia operators. The authors note that community college participation is valued because of: (1) their experience in delivering employment and training services in their localities, and (2) their well-established administrative and billing departments.

Results described by Barnow and King (2003) reinforce the impression that community colleges play an important but not dominant role as One-Stop Career Center operators. They report that among states studied, community colleges have a presence at One-Stop Career Centers in Florida, Michigan, and Texas; and other states have established satellite One-Stop Career Centers at community colleges. In Florida, community colleges initially operated One-Stop Career Centers for 10 of the 24 local boards in the state. However, the authors report that at the time of their site visit, community colleges administered One-Stop Career Centers for only three local boards.

Relatively modest community college participation on Workforce Investment Boards and as One-Stop Career Center operators appears to carry over to the role of intensive service provider. Macro, Almandsmith, and Hague (2003, ch. 7) report that community colleges place fourth in their ranking of four providers of intensive services. By far the most important category of provider is nonprofit organizations, followed by government agencies including ES, and then for-profit career colleges.

7.0 WIA and the Demand for Community College Programs

WIA is likely to have two effects on the demand for community college programs. First, the number of participants receiving training services may be lower than was the case under JTPA. Second, the ITA subsidy may change the relative cost of community college programs in comparison to those of other training providers leading to a change in the composition of demand.

7.1 Number of Participants Receiving Training

The implementation studies by D’Amico et al. (2001, ch. V) and Shaw and Rab (2003) indicate, at least in the early years of WIA, that fewer clients received ITAs entitling them to purchase training services than was the case under JTPA. D’Amico et al. suggest two reasons for this reduction in training opportunities. First, the hierarchy of services imposed by WIA meant that One-Stop Career Centers had less money available for training than previously. Second, successful job placement of clients receiving core and intensive services reduced the need for training services. Referring specifically to Illinois, Shaw and Rab add that the work-first philosophy of WIA was so clearly impressed on One-Stop Career Center operators that very few clients received ITAs during the initial years of WIA implementation.

D’Amico (2002) provides evidence on the magnitude of the decrease in training opportunities for adults and dislocated workers under WIA. Using nationwide WIASRD data for PY 2000, he compares receipt of training services between JTPA “carry-overs” and WIA registrants, where JTPA carry-overs are individuals who enrolled in workforce programs prior to the date the state formally began WIA implementation. Among disadvantaged adults, training rates are found to drop from 73.8 percent for JTPA carry-overs to 37.1 percent for WIA registrants. The decrease in training rates for dislocated workers is also substantial—from 70.7 percent for JTPA carry-overs to 39.0 percent for WIA registrants.

D’Amico et al. (2001, ch. V) raise the issue that the large reduction under WIA in the number of ITA recipients is potentially only a transitional issue because, in the first couple of

years of WIA's implementation, few participants had a chance to progress through the first two levels of services to get to training. Barnow and King (2003) also address this issue. The authors report that as state and local workforce boards gained experience with WIA requirements, they moved beyond the work-first policy orientation that was typical of the late 1990s. In particular, many staff members interviewed stressed the importance of responding flexibly to the needs of clients and employers. Staff also cited recent evaluation findings that point to the longer term effectiveness of balanced strategies that rely on a combination of labor force attachment and human capital development. D'Amico (2003) adds that the local areas he visited moved from a work-first approach in WIA's early years to a more balanced approach of providing services that program operators feel best meet the needs of clients and the community.

Another consideration to add to this discussion is a point made in section 4.0 in connection with the surprisingly low ratio of ITA accounts to individuals receiving training under WIA. Table 2 reveals that in PY 2000, only 41 percent of adults enrolled in training and only 35 percent of dislocated workers enrolled in training received ITAs. Commenting on the widespread use of non-ITA alternatives, D'Amico (2002) remarks that as with the provision of training services in general, local variation in the use of ITAs is considerable. Many local areas use ITAs almost exclusively to fund training services, while many others rarely use ITAs. In local areas in which ITA funding is seldom used, D'Amico (2002) observes that non-ITA alternatives are preferred because they are thought to better service the needs of targeted customer groups such as those with limited English proficiency, and to better serve local business firms in meeting local economic development requirements.

7.2 Competition with For-Profit Career Colleges

The WIA principle of consumer choice suggests that community colleges may be subject to greater competition from other training providers as they seek to enroll potential students empowered with ITA training vouchers. The primary source of competition is for-profit career colleges, since the training services provided by community-based organizations are generally restricted to targeted groups of economically disadvantaged adults.¹¹ In competing with other training providers, community colleges have a number of advantages. These include low tuition, breadth of offerings, access to degree programs, and close geographic proximity. On the other hand, for-profit career colleges have some advantages in comparison to community colleges that may offset their higher tuition. These include shorter, more intensive programs and greater flexibility in scheduling classes and admitting new students. As noted in section 5.3, in addition, for-profit career colleges are generally thought to do a better job relative to community colleges in providing their students with counseling and job placement services and in maintaining contact with graduates.

Two issues arise concerning the competition of community colleges with for-profit career colleges. The first is the question of whether ITA training vouchers that cover the higher tuition of proprietary colleges will offset the cost advantage of community colleges with the result that community colleges' share of ITA recipients is adversely affected. As a practical matter, there does not seem to be much reason for concern that community colleges will lose market share because ITAs lower the relative price of competitors. A primary consideration is that resource-constrained One-Stop Career Center operators continue to have an incentive to hold down

overall tuition costs by placing ITA recipients in community colleges as opposed to more costly proprietary colleges. D'Amico (2002) describes that state and local boards typically set dollar limits on ITA awards they will support in order to increase the number of participants that can be served and to impose some measure of financial discipline on the choice of programs by clients and on prices charged by vendors.

The second issue involves the complaint of community colleges that WIA performance standards put them at a disadvantage relative to for-profit colleges because of the diverse educational objectives of their students. In particular, section 6.1 noted that community college students include individuals seeking only an exposure to a particular field as well as students, such as retirees, who may seek to complete the requirements in a field of study but without any intention of looking for employment. The objective of the typical for-profit career college student, in contrast, is to complete an occupational skills training program with the intention of obtaining a job in the local labor market using those skills.

Rather than a concern about the ability of community colleges to compete for ITA recipients, section 6.3 indicated that the real concern of policymakers is whether community colleges have the desire to compete. As discussed earlier, the expectation of a smaller number of students equipped with ITAs coupled with burdensome WIA performance requirements has led to a serious problem of community colleges deciding to opt out as approved training providers. Evidence on the distribution of ITAs across categories of training providers is instructive in this respect. Macro, Almandsmith, and Hague (2003, ch. 8) show that fully 44 percent of ITAs in PY 2001 were used at for-profit career colleges and 49 percent at educational institutions. (The other 7 percent went to nonprofit organizations.) Among categories of educational institutions, moreover, community colleges are the top provider of ITA training but with only a 33 percent market share. Other important categories of educational providers are colleges and universities, technical schools, and private colleges. Hence, in PY 2001 community colleges supplied training to only about 16 percent ($= 0.33 * 0.49$) of ITA recipients.

8.0 Summary and Recommendations

This final section builds on evidence from the WIA implementation studies to suggest topics for future research from the perspective of better utilizing community colleges in the workforce investment system. These research suggestions are discussed under five headings, beginning with redesign of WIA performance standards. At the end of the discussion of each heading, a specific recommendation or recommendations (highlighted in bold print) is made for ETA consideration.

8.1 Redesign of WIA Performance Standards

A major concern of the states discussed in detail in all four WIA implementation studies is that current performance standards applied to training providers are overly complex, expensive to satisfy, and ignore differences in institutional missions, local economic conditions, and student characteristics. The objectives of WIA performance standards are laudatory. These objectives are two-fold: (1) to impose uniform minimum standards of performance that give providers an incentive to eliminate weak programs, and (2) to generate detailed information by program for

each provider that allow ITA clients to make informed comparisons of the same program across providers and of alternative programs for the same provider.

Nevertheless, current performance standards emphasizing program completion and subsequent labor market outcomes create three incentives for community colleges that may not be desirable. One is the incentive to emphasize occupational skill training programs at the expense of traditional academic or adult basic education programs. A second is the incentive to depart from traditional open-admissions policies by raising admissions standards to the detriment of disadvantaged applicants. Given the perception that the number of ITA recipients is limited, the third incentive is for community colleges to avoid entirely the effort and expense required to meet performance standards by choosing to opt out of the workforce investment system.

As described in section 6.0, evidence that community colleges make important changes in the composition of programs they offer is relatively thin; and the issue of cream skimming appears to apply primarily to One-Stop Career Center operators rather than to community colleges. At the same time, all of the WIA implementation reports strongly emphasize the difficulties community colleges face in developing and implementing tracking systems for collecting data needed to meet performance standards. The implementation reports also suggest that community colleges differ from other training providers because of the heterogeneous academic objectives of their students. Particularly in response to the difficulties involved in developing student tracking systems, states have taken a variety of actions intended to retain community colleges within the workforce investment system. These include waiving performance standards, negotiating standards that are easier to meet, and taking on centrally the functions of collecting and reporting required data.

The Federal Government has responded to the issues posed by WIA performance standards in two ways. First, in a recent advisory letter the ETA has sought to reduce the burden on states and training vendors by reducing the 17 WIA performance measures to a set of 8 “common” measures (U.S. DOL/ETA 2003). Four of these apply to adults and four to youth programs. The four adult measures include job placement, job retention, increases in earnings, and “efficiency.” Efficiency is defined as the program appropriation level divided by number of program participants. However, the ETA cautions that cost per participant is only a starting point for analysis. Cost is to be considered in the context of outcomes achieved, characteristics of participants, and types of services provided. In addition to efficiency, youth measures include placement in employment or an educational program, receipt of a degree or certificate, and literacy and numeracy gains. UI wage records are to be used as the primary source of data for measuring job placement, retention, and wage growth for both adults and youth.

Also at the Federal level, the U.S. House of Representatives, building on a Bush administration proposal, recently crafted and passed a WIA reauthorization bill (H.R. 1261). Four provisions of this bill should be mentioned. First, use of ITAs to support training is expanded by permitting funding from sources other than the adult WIA program. Second, the current 17 WIA performance indicators are replaced by the 8 common indicators of performance developed in the 2003 ETA guidelines. Third, Governors are given authority to add additional performance measures for use within their states, including the consumer satisfaction measures

dropped from the ETA common indicators. Finally, the Secretary of Labor is authorized to expedite the process for extending approved waivers to states.

The provision of H.R. 1261 reducing to eight the number of common performance measures is a desirable move toward simplification. At the same time, it is unclear whether the performance standards apply to each academic program offered by community colleges, and whether State Governors will choose to exercise their authority to expand the number of performance indicators beyond those specified in the bill. Furthermore, the issue of which party (training provider, local program operator, or the state) is responsible for developing and maintaining administrative data sets matching student records with UI wage records is still unclear.

As the WIA implementation reports indicate, differences between states in performance criteria, coupled with community colleges responses to these criteria, represent an important source of information on how to achieve the difficult balance between enforcing minimum standards of performance and developing performance standards that providers can live with.

Recommendation 1: The ETA should consider funding a project or projects that involve(s) site visits to selected states to examine how—with several years of experience under WIA—state officials have modified performance standards and how community colleges have reacted to these modifications.

Recommendation 2: In view of important differences between community colleges and other training providers in missions and student academic objectives, the ETA should examine the possibility of establishing a community college-specific set of performance standards.

8.2 What Is the Proper Balance Between Training and Other Services and Between ITA and non-ITA Training?

Section 7.0 pointed out that the number of individuals receiving training fell dramatically in the early years of WIA. This reduction in WIA-funded training is clearly part of the reason community colleges have a reduced incentive to continue as approved training providers. Furthermore, while training services under WIA are typically to be supported by ITA vouchers, evidence was presented for selected states and the Nation as a whole that non-ITA training is at least as common as ITA-funded training.

The WIA implementation reports indicate that as One-Stop Career Center operators gained experience with WIA, they increased the availability of training as part of a more “balanced” approach to service provision. An important question, consequently, is the extent to which WIA-funded training has rebounded to a higher “steady-state” level. Moreover, little information is currently available to answer the further question of why, despite the WIA emphasis on consumer choice implemented through ITAs, use of non-ITA training appears to be so common in local areas.

Recommendation 3: The ETA should fund a study examining: (1) whether WIA-funded training has risen and is now at a steady-state level, and (2) the factors that at the local area level determine the mix of ITA-funded and non-ITA-funded training.

8.3 Who Are ITA Recipients and What Choices Do They Make?

The ETA is currently funding the ITA Experiment, which is a random assignment evaluation that tests the relative impact of three distinct ITA approaches (Perez-Johnson and Decker 2003). The three ITA approaches range from a highly structured approach (participants are steered to the highest return training options) to a true voucher approach (participants are offered a lump sum and allowed to choose any state-approved training program). The evaluation carried out by Mathematica Policy Research (MPR) will examine the impacts of the three ITA approaches on participation in training and related services, participant satisfaction, employment-related outcomes, and dependence on public assistance. Also included is an analysis of the returns on investment for each of the approaches. The ITA Experiment is being conducted at 6 sites using a sample of about 8,000 disadvantaged adults and dislocated workers eligible for ITA assistance. The six sites are: Phoenix; Bridgeport, Connecticut; Jacksonville, Florida; Atlanta; Northern Cook County, Illinois; and Charlotte.

As part of the ITA Experiment, MPR is currently conducting a followup survey of about 4,800 participants in the experiment. Included in the survey instrument are questions that ask respondents whether they selected an education or training program, type of program selected, training provider selected, length of the training program, sources of support in addition to the ITA, and much more. It is expected that the ITA followup survey will yield a wealth of information on the training choices made by participants in the ITA Experiment. Nevertheless, this information is not nationally representative geographically, and it is based on the responses of a relatively small number of individuals, a majority of whom are making choices in an experimental setting that differs from standard practices used in most local areas.

Recommendation 4: Building on the results of the ITA Experiment, the ETA should consider funding a nationwide survey of ITA recipients to obtain information on: (1) their characteristics including age, race and ethnicity, gender, and disadvantaged worker/dislocated worker status, and (2) the choices they make between vendors and alternative training programs.

8.4 Payoffs to Alternative Fields of Study

As described in section 2.0, WIA performance standards require that approved training providers report, by program, employment rates and initial wages. For WIA clients, in addition, performance criteria include retention rates and wages, both measured after 6 months of employment. Training providers are to develop the required data by matching the student records they maintain with UI wage records. The directive to use student records matched with UI wage records presents an interesting contrast to the lack of studies in the literature that use matched data to estimate labor market payoffs. In section 5.1, in fact, the only study cited that uses matched data to supply payoffs by program is Jacobson, LaLonde, and Sullivan (2003, 2004); and even this study provides a limited amount of information. Payoff estimates are specific to

dislocated workers residing in Washington State who enrolled in two broad categories of community college programs.

The point is that matching large administrative data sets is a substantial undertaking, whether by community college institutional research staff members seeking to comply with WIA performance standards or by labor economists seeking to provide more detailed estimates of the payoffs to community college programs. Yet, it is important that we have program-level payoff estimates for states other than Washington and for client groups in addition to dislocated workers.

As an example, the size of its community college system and the racial and ethnic diversity of the state would make California an interesting state to study using matched administrative data. In particular, the large number of students passing through California's community colleges each year provides plenty of observations for obtaining program-level payoff estimates for population groups of interest categorized by gender and age. Moreover, the diversity of the state's population would allow specific payoff estimates to be obtained for Hispanics—a critically important demographic group because of its rapid growth and relatively low average educational attainment. Gill and Leigh (2004) in a study mentioned in section 6.0 have already pulled together the substantial volume of information on curriculum available at the campus level for community colleges in the California system.

Recommendation 5: The ETA should consider supporting research that uses matched student records/UI wage records for several states to obtain estimates of the labor market returns to alternative community college fields of study for different worker groups including disadvantaged adults and dislocated workers.

8.5 Applicability of Experience Gained from Contract Training

A key WIA objective is to support training that provides skills required by employers in the local economy. Clearly, an attractive approach for community colleges to acquire information about local labor market training needs is to make use of information they gain in reaching contract training agreements with employers. In principle, this information can then be used in revising regular occupational skills curriculums. As noted in section 5.3, however, such transfer of information is inhibited by the separation of contract training in many colleges in its own independent office set apart from the rest of the college. But the value of being able to transfer employer demand information between units is sufficiently great that it seems likely that at least some community college administrators will develop efficient transfer mechanisms. If this is the case, one would expect that colleges will differ in the existence and efficiency of their information transfer mechanisms.

Recommendation 6: The ETA should consider funding a “best practices” study of the mechanisms exemplary colleges use to transfer information gained from their contract training operations.

Endnotes

¹ Public technical colleges are another public training provider that services WIA participants, but this report focuses primarily on community colleges.

² Prior to 1988, JTPA included a dislocated worker program called Title III. In that year, Title III was shifted from JTPA and absorbed into the then new Economic Dislocation and Worker Adjustment Assistance Act (EDWAA).

³ As was done under JTPA, contracting directly with training providers may still be used in the following situations: (1) on-the-job or customized training, (2) insufficient number of providers to meet the competitive purposes of ITAs, and (3) programs offered by community-based organizations or other private agencies that serve special populations facing multiple barriers to employment.

⁴ Hollenbeck and Huang examine six other targeted workforce development programs. Two of these are designed to serve youth: JTPA Title II-C Programs and Secondary Career and Technical Education. Three other programs serve job-ready adults including JTPA Title III Programs, Apprenticeships, and Private Career Schools. The Private Career Schools Program utilizes training programs provided by for-profit career colleges. The final program examined is directed to adults facing employment barriers—JTPA Title II-A Programs. It is interesting to compare the net impact estimates obtained for the Private Career Schools Program to those estimated for the Job Prep and Worker Retraining Programs utilizing community colleges. Hollenbeck and Huang find that the short-term impacts on employment and quarterly earnings of proprietary college training are much smaller (2.6 percent and essentially zero, respectively) than the corresponding estimates reported in the text that are obtained for the two community college-based programs. Unfortunately, longer term estimates are not available for the Private Career School Program.

⁵ A negative impact of adult basic skills training on employment and earnings is expected since successful outcomes of these programs include subsequent enrollment in occupational skills training or academic programs, both of which may keep trainees out of the labor force.

⁶ The Deil-Amen and Rosenbaum study is the first of several referred to in this report that are published in a special volume devoted to community colleges in *The Annals of the American Academy of Political and Social Science*. As indicated in the Preface, the broad theme of papers in this volume is the view that Federal policy and broader societal pressures are causing community colleges to shift away from their traditional mission of academic preparation for transfer to 4-year colleges, particularly for poor and minority students. Instead, community colleges are increasingly being pressured to adopt a market-driven mission that focuses on providing occupational skills training programs that are demanded in the local economy.

⁷ Differences in programs and in relative costs of community colleges and for-profit career colleges are discussed in greater detail in section 7.0.

⁸ The anonymous reviewer of this report offers an interesting alternative hypothesis suggesting that community college academic programs may gain in importance relative to workforce development programs. The reviewer's point is that the rising costs of 4-year colleges and universities push academically oriented students to start at a local community college, complete their general undergraduate course requirements, and then transfer after 2 years. Hence, rising costs at the 4-year college level result in pressure on community colleges to expand, rather than contract, their academic course offerings.

⁹ A complicating factor involved in matching community college student records with UI wage histories is the stringent April 2003 reinterpretation of Federal legislation regarding educational privacy, the Federal Educational Rights and Privacy Act (FERPA), that severely restricts access to student records.

¹⁰ Barnow and King (2003) note that concerns expressed by business leaders include the size of state and local boards, the bureaucratic nature of the boards, and the perceived lack of value-added from their participation.

¹¹ Under JTPA, community-based organizations (CBOs) primarily provided training services to economically disadvantaged adults. D'Amico et al. (2001, ch. V) note that CBOs are placed at a disadvantage under an ITA system because of their narrow customer base. Moreover, their reliance on contract training does not lend itself well to a competitive marketplace, and CBOs are usually thinly capitalized and are likely to have difficulty coping with an irregular flow of ITA-funded students.

Appendix A: Tables

Table 1. Overview of Community Colleges (CCs) and Their Students, 2002

<u>Scope of CCs</u>	
Number of CCs	
Public	997
Private	145
Tribal	31
Total	1173
Student enrollment (in millions)	
Credit	5.4
Noncredit	5.0
Total	10.4
Annual degrees and certificates (in thousands)	
Associate degrees	450
Two-year certificates	200
Ratio of all U.S. undergraduates attending a CC	44%
Ratio of all first-time freshmen attending a CC	45%
<u>Student characteristics</u>	
Average age in years	29
Female students	58%
Part-time students (less than 12 credit hours)	63%
<u>Student cost and aid</u>	
Average annual tuition	\$1518
Student aid	
Any aid	32.8%
Pell grants	14.9
State aid	6.1
Federal loans	6.0
<u>Sources of revenue for public CCs</u>	
State funds	42%
Tuition and fees	23
Local funds	18
Federal funds	5
Other	12

Source: American Association of Community Colleges (no date)

Table 2. Overview of WIA Services Provided and WIA Participant Characteristics, Adults and Dislocated Workers, PY 2000

	Adults	Dislocated workers
Total exiters	85,081	76,401
Types of services received		
Training	49.3%	55.5%
No training	48.2	40.6
Data missing	2.5	3.9
Types of training services ¹		
OJT	5.0%	4.2%
Occupational skills	42.4	51.7
Adult basic skills	4.0	3.6
Number of ITA accounts established	17,053	14,938
Participant characteristics		
Age:		
Less than 22	7.4%	3.5%
22-32	40.3	20.6
33-42	27.5	30.0
43-54	18.2	34.5
55 and older	6.5	11.3
Female	60.8%	53.1%
Race/ethnicity		
White	44.2%	61.4%
Black	27.5	13.3
Hispanic	13.6	19.2
Data missing	14.7	6.1
Highest grade completed		
Less than 12	15.3%	9.4%
High school degree	39.5	42.0
GED (General Equivalency Diploma)	5.2	2.9
Some college	13.5	19.7
B.A. degree and post-graduate	3.4	10.4
Data missing	23.1	15.7
Limited English proficiency	7.3%	6.4%

¹Training categories are not mutually exclusive.

Source: Frank, Rahmanou, and Savner (2003)

Table 3. Community College Research Questions and a Summary of Existing Evidence

Research question	Summary of evidence
1. How large are labor market returns to CC training, and do these returns differ across alternative fields of study?	National data indicates substantial labor market returns to CC training. Evidence for Washington State dislocated workers reinforces this finding and adds that long-term earnings gains are much higher for academic courses in science and math and for more technical occupational skills courses than they are for other CC curricula.
2. How effective are CCs in placing exiting students in local labor markets?	Current evidence is fragmentary, but suggests that CCs' performance compares unfavorably to that of proprietary colleges. A U.S. Department of Education funded project will hopefully shed more light on the characteristics of "market-responsive" CCs.
3. How active are CCs in supplying contract training and what can be learned from providing these courses?	Nearly all CCs offer contract training, but the level of contract training activity varies with the size and industry mix of local employers. Transfer of information gained from contract training to regular occupational skills training courses tends to be limited because of the separation of contract training operations from the rest of the CC.
4. Do CCs under WIA tilt their curricula toward occupational skill training?	This incentive receives limited attention in the Workforce Investment Act (WIA) implementation studies. There is some evidence indicating that occupational skills training is receiving more prominence in CC curricula.
5. Do CCs under WIA have an incentive to raise admission standards resulting in enrollment of fewer disadvantaged students?	A substantial literature provides evidence of "cream skimming" under the Job Training Partnership Act (JTPA), and cream skimming is even more likely under WIA because it drops a regression model that adjusts for differences in participant characteristics and local economic conditions. However, evidence on cream skimming under both JTPA and WIA focuses on the behavior of program operators rather than service providers like CCs.

Table 3. Community College Research Questions and a Summary of Existing Evidence

Research question	Summary of evidence
6. Do CCs have an incentive to opt out from participating in the workforce investment system?	A very serious concern of states. The WIA implementation studies report that states are responding to this concern in a variety of ways including temporarily waiving performance standards, relaxing WIA requirements or not expecting training vendors to meet all requirements, agreeing to centrally process administrative data, and reporting performance on a system rather than program basis.
7. Do CCs often serve as members of Workforce Investment Boards, operate One-Stop Career Centers, or serve as intensive service providers?	Limited evidence indicates that it is unusual for CCs to move beyond their training function to involve themselves in serving on local Workforce Investment Boards, to directly operate One-Stop Career Centers, or to provide intensive services.
8. Does WIA result in fewer individuals receiving training relative to JTPA?	Receipt of training appears to have dropped sharply from JTPA levels in the early years of WIA. However, local areas are moving to a greater willingness to provide training opportunities as part of a more balanced approach to supplying services.
9. Does the ITA subsidy adversely affect the market share of CCs?	It does not appear likely that the Individual Training Account (ITA) subsidy adversely affects the cost advantage of CCs relative to other training providers. It is interesting to note, however, that training under WIA appears to be commonly funded by non-ITA alternatives and by training providers other than CCs.