

# Tuning In to Local Labor Markets

FINDINGS FROM  
THE SECTORAL EMPLOYMENT  
IMPACT STUDY

EXECUTIVE SUMMARY

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IMPACT STUDY

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EXECUTIVE SUMMARY

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## *Dedication*

This report is dedicated to Eric Parker, who died suddenly in August 2007. A visionary, leader, mentor and friend to many in the workforce development field, Eric founded the Wisconsin Regional Training Partnership and devoted much of his career to improving the lives of low-wage workers and the competitiveness of local employers.

## **Acknowledgments**

Many people worked to make this report possible. Thanks go first and foremost to the three organizations that are the subject of the study—Jewish Vocational Service–Boston (JVS–Boston), Per Scholas and Wisconsin Regional Training Partnership (WRTP). Participating in a random assignment evaluation is a challenging and risky undertaking, and the study would not have been possible without the leadership of Barbara Rosenbaum and Jerry Rubin at JVS–Boston; Plinio Ayala at Per Scholas; and Eric Parker and Earl Buford at WRTP, as well as the ongoing efforts of dozens of staff members. We are also grateful to the study participants for sharing their experiences during interviews and in focus groups.

Over the past two decades, Jack Litzenberg of the Charles Stewart Mott Foundation has done much to advance the practice and study of sectoral strategies. His decision to invest in this random assignment study, and his patience and understanding as it unfolded, is another signal of his thoughtful leadership of the field. Thanks also must go to the Mott Foundation’s communications department, and Duane Elling in particular, for their support of the project.

Many current and former P/PV colleagues and consultants made valuable contributions to the study, including Mark Elliott, Anne Roder, Mae Watson Grote, Rohit Reddy, Cathy Danh, Danielle Farrie, Wendy McClanahan, Jean Grossman, Katie Plat, Chelsea Farley, Laura Johnson, Gary Walker and Nadya K. Shmavonian.

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Finally, our thanks to The Institute for Survey Research at Temple University in Philadelphia, which administered the participant surveys; Penelope Malish, who designed the publication; and Lauren Kelley, Jason Warshof, Clare O’Shea and Sylvia Foley, who edited the report.

**F**or American workers, having a high school or general equivalency diploma (GED)—which once represented a means of entrance to the middle class—is no longer adequate for finding steady employment. In fact, three quarters of low-wage workers<sup>1</sup> have these qualifications but lack the relevant occupational skills and connections to employers needed to launch a career. At the same time, in some regions of the country there are persistent skills gaps clustered in particular industries, such as manufacturing and healthcare.<sup>2</sup> Many of these jobs are expected to grow<sup>3</sup> and require specific technical skills that can be gained only through focused training that is closely linked to the needs of local businesses.

Over the past two decades, an innovative approach to workforce development known as sectoral employment has emerged, resulting in the creation of industry-specific training programs that prepare unemployed and underskilled workers for skilled positions and connect them with employers seeking to fill such vacancies. Based on earlier outcomes studies pointing to the promise of this strategy, Public/Private Ventures (P/PV) set out to conduct a random assignment evaluation to assess whether sector-focused programs could in fact increase the earnings of low-income, disadvantaged workers and job seekers.

## The Study

In 2003, with funding from the Charles Stewart Mott Foundation, P/PV launched the Sectoral Employment Impact Study. We did not seek organizations that followed a common model to participate in the study, as sectoral programs employ various approaches depending on the organization leading the effort and local employers' needs. Instead, we sought mature programs that seemed to be well implemented, since it takes time for an organization to both understand employers' needs and craft appropriate responses.

Three organizations were selected:

- **The Wisconsin Regional Training Partnership (WRTP)** is an association of employers and unions that seeks to retain and attract high-wage jobs in Milwaukee and create career opportunities for low-income and unemployed community residents. WRTP develops training programs (generally lasting between two and eight weeks) in response to specific employers' requests or to clearly identified labor market needs. Its short-term preemployment training programs in the construction, manufacturing and healthcare sectors were included in the study.
- **Jewish Vocational Service–Boston (JVS–Boston)** is a community-based nonprofit that has provided workforce development services for more than 70 years, including operating one of three One-Stop Career Centers (One-Stops) funded by the Workforce Investment Act (WIA) in the Boston area. The organization aims to serve a diverse range of Boston's disadvantaged populations, including refugees, immigrants and welfare recipients. Its training programs in medical billing and accounting were included in the study.
- **Per Scholas** is a social venture in New York City that combines a training program with efforts to refurbish and recycle “end of life” computers and distribute them to low-income people through partnerships with nonprofits, schools and community colleges. Per Scholas' computer technician training program—which prepares participants for jobs in the repair and maintenance of personal computers, printers and copiers, as well as the installation and troubleshooting of computer networks—was included in the study.

P/PV used an experimental research design to bring as much rigor as possible to the following question: Do mature sector-focused programs result in significant labor market gains for low-income, disadvantaged workers and job seekers? More specifically, we strived to determine whether such programs raise the earnings of program participants and whether participants were more likely to find employment and work more consistently. We also wanted to explore whether program participants obtained higher-quality jobs. For example, were participants more likely to earn higher wages? Did participants find jobs with better access to benefits? Further,

we set out to explore whether specific groups of people, such as welfare recipients or young adults, benefit from participation. We also sought to understand the programmatic, contextual and individual factors that contribute to these outcomes.

To answer these questions, the three sites recruited 1,286 people for the study over a two-year period, all of whom had been through their program's application process and met its eligibility criteria. Half of these applicants were selected at random to participate in the program (the treatment group); the remaining half (the control group) could not receive services from the study sites for the next 24 months, but they were free to attend other employment programs or seek access to other services. Baseline and follow-up surveys were conducted with members of both groups, eliciting information about their education and work histories as well as their employment experiences during the two-year study period. The follow-up survey sample included 1,014 respondents, reflecting a 79 percent response rate.

In addition to collecting data about individuals, we also conducted annual site visits to each of the three organizations to interview staff, participants and others involved with the programs. The goal of this qualitative research was to document the structure and content of the programs and to better understand key practices as well as challenges the organizations faced.

## Study Participants

Participants in the study were screened through their respective programs to ensure they had the basic academic skills to read and understand instructional material; entrance requirements ranged from sixth to tenth grade reading and/or math levels. In the year prior to the study, participants had been in and out of the labor market. Only 10 percent had worked full-time for the entire year, and the average participant had worked full-time for three and a half months. Thirty-four percent were working at the time they enrolled in the study. On average, each had worked (for at least one hour) in seven months of the year prior to the baseline survey, earning \$9,872. Nearly 40 percent had received public assistance at some time,<sup>4</sup> including the 23 percent of participants who were on welfare at the time of enrollment.<sup>5</sup> (See Executive Summary Table 1.)

**Executive Summary Table 1**  
**Baseline Characteristics of the**  
**Follow-Up Sample**

	Total
N	1,014
<b>Gender</b>	
Male	47%
Female	53%
<b>Race/Ethnicity and Foreign-Born Status</b>	
African American	60%
Latino	21%
White	12%
Other	6%
Foreign Born	23%
<b>Age</b>	
18 to 24	28%
18 to 26 <sup>a</sup>	37%
25 to 54	70%
55 and Older	2%
Average Age	32.2
<b>Education</b>	
More Than a High School Diploma	18%
High School Diploma	53%
GED	22%
Less Than a High School Diploma	7%
<b>Other Characteristics</b>	
Married	18%
Ever on Welfare	37%
On Welfare at Baseline	23%
Has Access to a Vehicle	45%
Average Number of Children in Household	1.2
Moved in Last Two Years	43%
Completed Other Training Before Baseline	25%
Homeless in Year Prior to Baseline	7%
Ever Convicted of a Crime	22%
Formerly Incarcerated	17%
<b>Employment History at Baseline</b>	
Average Months Employed Year Prior to Baseline	6.8
Employed (Part-Time or Full-Time) at Baseline	34%
Worked Full-Time All 12 Months Prior to Baseline	10%
Average Months Working Full-Time Year Prior to Baseline	3.5
Total Earnings Year Prior to Baseline	\$9,872

<sup>a</sup> Since definitions of "youth" and "young adults" vary among practitioners, researchers and funders, we analyzed the data according to two groupings: ages 18 to 24 and ages 18 to 26.

## Analysis

In evaluating the programs' impacts, we looked at a number of key employment outcomes: total earnings, the likelihood of finding employment, number of hours worked, the likelihood of working a job that paid an hourly wage of at least \$11 and at least \$13, and the likelihood of working a job that offers benefits. Because the outcomes seen during the first 12 months include time spent in training, internships and the initial job search, we present both the effects seen during the full 24-month study period and those observed during the second year of the study (i.e., months 13 through 24, when participants were fully available to participate in the labor market).

## Key Findings

### 1. Participants in sector-focused programs earned significantly more than control group members, with most of the earnings gains occurring in the second year.

Participants in sector-focused training earned 18 percent—about \$4,500—more than controls over the 24-month study period. Not surprisingly, given that program participants were in training during the first year, most of the increase in earnings was seen during the second year. During months 13 through 24, participants earned 29 percent more than controls on average, or \$337 more per month—about \$4,000 more overall.

### 2. Participants in sector-focused programs were significantly more likely to work and, in the second year, worked more consistently than control group members.

Part of program participants' earnings gains can be attributed to the fact that participants were more likely to find work and worked more consistently. Over the 24-month study period, program participants were significantly more likely to be employed, working on average 1.3 more months than controls. During the second year, program participants were significantly more likely than controls to work all 12 months (52 percent versus 41 percent)—an indication that sector-focused training programs helped participants find steadier employment. Program

participants also worked significantly more hours—about 245 more than controls over the 24-month study period and 250 more than controls in the second year. Employment rates hovered around 70 percent for program participants in the second year, compared with about 60 percent for controls.

### 3. Program participants were significantly more likely to work in jobs with higher wages.

Over the full study period, program participants worked two more months than control group members in jobs that paid at least \$11 an hour, and 1.5 more months in the second year alone. The likelihood of ever working a job that paid at least \$11 an hour was 14 percentage points higher for program participants (59 percent) than controls (45 percent) over the entire study period and 13 percentage points higher (55 percent for program participants and 42 percent for controls) in the second year. A similar pattern emerges when we look at the likelihood of working a job that paid at least \$13 an hour. Over the entire study period, program participants worked about a month more in these jobs and their likelihood of ever working a job at this wage level was eight percentage points higher than it was for controls.

### 4. Program participants were significantly more likely to work in jobs that offered benefits.

During the full study period, program participants spent an average of 11 months working in jobs that offered benefits (e.g., health insurance, paid vacation, paid sick leave, tuition reimbursement)—about a month and a half longer than controls. In the second year, program participants spent about seven months working jobs that offered benefits—1.4 more months than controls. By the beginning of the second year, and continuing through the end of the study period, the likelihood that program participants were working in jobs that offered benefits was between 50 and 60 percent, as compared with controls, whose likelihood ranged between 40 and 50 percent over the same period.



## **5. For each subgroup analyzed, program participants had significant earnings gains as compared to their counterpart controls.**

The three organizations in the study serve quite distinct target populations; therefore, the subgroups we examined (men, women, African Americans, Latinos, immigrants, people who were formerly incarcerated, welfare recipients and young adults) were not evenly distributed among the three sites. All subgroups, however, had significant earnings gains; the timing of these gains and the programs' effects on other employment outcomes (such as likelihood of being employed, working in jobs with higher wages, etc.) varied among groups. It is likely that some of these differences are due to differences in the approaches at the three sites. It is also worth noting that not all subgroups had earnings gains at each site.

### **Program-Specific Findings**

#### **Wisconsin Regional Training Partnership**

The effects we see at WRTP reflect its overall strategy of providing short-term, job-specific training and then helping guide disadvantaged workers into higher-quality jobs than they might have been able to access without its assistance. Overall, program participants earned significantly more, even though they found employment at rates similar to their control counterparts. They were significantly more likely to work in higher-wage jobs, to secure union jobs and to work in jobs that offered benefits. They were also more likely to obtain certifications in both the healthcare and construction tracks. Earnings gains varied across sectors: Construction participants saw the highest gains, followed by healthcare; participants in manufacturing did not achieve higher earnings than control group members, which is not surprising given the region's downturn in manufacturing.

WRTP's strategy also had different effects on earnings for different types of workers: Both African American and women participants earned significantly more than their counterpart controls, largely as a result of higher wages. Formerly incarcerated program participants also saw earnings gains, which were attributed to working more hours than controls as well as earning higher wages. For young adult participants and welfare recipients, there were no significant earnings gains.

#### **JVS–Boston**

JVS–Boston's strategy was to provide participants with job-specific occupational skills through an intensive five-and-a-half-month training program (the longest in the study) and to supplement this training with a high level of support. JVS–Boston offered substantial support during and after the program. It was able to guide participants into employment opportunities thanks to its knowledge of the healthcare sector. JVS–Boston's results reflect this approach: Program participants saw 21 percent earnings gains over the two-year period and a 35 percent earnings gain in the second year alone, largely as a result of their being more likely to find employment than their control group counterparts. They also worked more hours and were more likely to earn at least \$11 an hour. Young adult program participants did particularly well, perhaps reflecting the high level of support provided by program staff; these younger participants earned almost 50 percent more than young adult controls. African American participants and participants who had ever received welfare also saw earnings gains, entirely due to working more months and more hours. We did not see any significant effects for foreign-born program participants, who were older, disproportionately male and more educated than the overall sample.

#### **Per Scholas**

Per Scholas' strategy of providing its participants with skills, preparing them to obtain a recognized industry certification and offering internships and work experience is reflected in the program's effects. Not surprisingly, given the length of Per Scholas' training and the internship that often follows, program participants mainly saw effects in the second year. Program participants had significantly higher earnings and were significantly more likely to work—and work in jobs with higher wages—than their control counterparts. Program participants also earned the A+ certification at higher rates, which may be a critical part of the value contributed by Per Scholas. Latino, immigrant, and formerly incarcerated program participants earned significantly more than their control group counterparts; immigrant and formerly incarcerated program participants fared particularly well. Young adults between ages 18 and 24 did not earn significantly more than their control group counterparts,



though this was possibly due to small sample size. When the range is broadened to 18 to 26, program participants did have significantly higher earnings.

## Common Programmatic Elements

Each organization in the study employed a unique strategy and crafted its program to respond to local circumstances. Through site visits, focus groups and interviews, we identified common elements shared by the three programs. While all the programs focused to some degree on each of these elements, they were implemented differently at each organization and, in some cases, were stronger at one than another.

### 1. Strong organizational capacity—with the ability to adapt.

Workforce organizations operate at the nexus between disadvantaged workers, local employers and the public and private agencies that have resources to invest. Each organization in the study had capacities—resources, staffing, relationships, institutional memory—that enabled it to understand the specific needs of employers, target appropriate candidates and devise an intervention using public and private funding sources. While the subsequent programmatic elements we discuss are critical, each organization’s ability to understand and deal with change—sometimes referred to as adaptive capacity or the ability to ask, listen, reflect and adapt—underlies its success.

### 2. A strong link to local employers that results in an understanding of the target occupation and connections to jobs.

An effective sectoral strategy rests on linking to the workforce needs of local employers. Organizations in the study forged this link in various ways. As an association of employers and unions, WRTP was able to work collaboratively with individual employers, sets of employers and union representatives. JVS–Boston’s links to the healthcare sector were built through its long history of placing people in jobs with Boston-area employers, as well as through the incumbent worker training<sup>6</sup> it offered to several major healthcare providers. Per Scholas connected to the IT sector through its role as a recycling center for “end of life” computers, and

its job developers built strong relationships with major employers.

### 3. Job readiness, basic skills and hands-on technical skills training offered through the lens of a specific occupation or sector.

Effective adult education is essential to the success of sector-focused training programs. Rather than offering job readiness, basic skills and technical skills training separately, WRTP, JVS–Boston and Per Scholas all addressed these needs together, through the lens of their targeted sectors.

### 4. Recruitment, screening and intake processes that result in a good match between the applicant, the program and the target occupation.

Each organization established a screening process that helped identify candidates who had both the ability to benefit from its program and the potential to be successful in the targeted occupation. This process began with outreach and recruitment efforts, both of which were integral to each organization’s operation and required considerable staff resources. The programs’ ability to so carefully target participants who were an appropriate match for the target occupation (in terms of interest, ability and qualifications) is a critical piece of their success.

### 5. Individualized services to support training completion and success on the job.

For disadvantaged job seekers and workers, help with childcare or transportation or a referral for housing or legal services can be critical to staying in training or keeping a job. All three organizations had mechanisms in place to deal with these needs, though delivery of the services varied.

## Conclusions

*Mature, nonprofit-led sector-focused programs can increase the earnings of disadvantaged populations.*

This study provides compelling evidence that nonprofit-led sector-focused training programs can increase the earnings of a range of disadvantaged populations. Results of the study also demonstrate that this approach can provide disadvantaged people with access to industry-relevant skills and

steady employment. While there has been significant growth in both the number of programs that target specific industry sectors and the range of institutions that operate or sponsor them, it is important to note that the programs in this study are representative of mature, nonprofit-led sector-focused programs and not all efforts that often fall under the umbrella of sectoral training. It is also important to recognize that the programs in this study were more than simply job training programs. Each organization had strong connections to local employers and identified specific job opportunities for which they trained program participants. Each organization targeted people who would be a good match for the occupation and the training, provided essential supports and offered skills training through the lens of a specific sector. This study points to the promise of programs that combine these elements.

*Variation in approaches can be effective but results in different effects on earnings.*

The programs in this study varied in length, populations served and target industry/occupation. Each offered a mix of services with differing emphasis on making connections between participants and employers, providing supportive services, and training in occupationally relevant skills. The longer-term training programs, JVS–Boston and Per Scholas, placed a stronger emphasis on skills, whereas WRTP emphasized connecting participants to jobs through its networks of unions and employers. These strategies influenced earnings: WRTP’s participants showed early earnings gains that were largely a result of higher wages, while participants at Per Scholas and JVS–Boston had earnings gains that came later and were a result of participants’ increased likelihood of finding a job and working more consistently and/or at higher wages.

*Mature, nonprofit-led sector-focused programs can be effective with a range of disadvantaged workers and job seekers.*

The three programs in the study served a range of un- and underemployed people, including men and women, African Americans, Latinos, immigrants, people who were formerly incarcerated, welfare recipients and young adults. We saw positive impacts on earnings for all subgroups, though there were differing impacts for various groups across

the three organizations studied. At WRTP, African Americans, women and formerly incarcerated participants experienced significant earnings gains. At JVS–Boston, the program showed impacts for young adults, African Americans, women and those who had been on welfare. At Per Scholas, immigrants, men, Latinos, formerly incarcerated individuals and young adults (18-26) had significant earnings gains.

*Nonprofit organizations can play a critical role in delivering workforce services. The three programs in this study demonstrated an adaptability that allowed them to connect disadvantaged job seekers to employers using a mix of strategies and a range of public and private funding sources.*

While the three programs in the study did not follow a common model, we found that their ability to combine key elements—good understanding of and connection to industry needs, careful screening to identify appropriate clients, a sector-focused approach to training and individualized support services—seemed to contribute to success. The organizations’ ability to keep pace with changes in the local economy, funding agencies or partners was also a key ingredient.

## Implications for Further Research

These findings suggest the need for additional research about the effectiveness of sector programs for disadvantaged people. Below we outline potential avenues for further exploration:

*Can this approach be scaled?*

The organizations in the study served small numbers of program participants. Scaling up—either for these organizations or by other organizations adopting this approach—presents some unique challenges, as sector programs are by their very nature flexible—relying on clearly identified employer demand as well as available funding (either public or private) to provide services. More rigorous research could tell us with greater certainty which of the common elements we identified are indeed essential, if there are other features we missed and which combinations of elements are most effective in various situations. Additional studies could also inform the increasing number of organizations that are developing sectoral programs and increase the likelihood that their approach could replicate

the impacts seen in this study. Research aimed at understanding the costs of these programs is also important in considering how they can be scaled.

### *What about sector programs led by other types of institutions?*

While our findings show the promise of sectoral programs run by experienced nonprofit organizations that demonstrate the ability to adapt and respond to local circumstances, research is needed about the effectiveness of sectoral efforts undertaken by other types of institutions, such as community colleges, Workforce Investment Boards, state agencies and employer associations.

### *What about the role of industry certifications?*

Both Per Scholas and WRTP offered training that prepared participants to obtain industry-recognized certifications—a strategy that may have played a major role in participants' earnings gains. Further research is needed to understand how industry certifications affect earnings and wage gains and the role workforce organizations can play in helping disadvantaged workers and job seekers gain access to jobs once they have attained an industry-recognized certification. Further analysis using data from this study is forthcoming.

### *What strategies are effective for various groups of job seekers?*

Given their flexible design, sector-focused training programs both targeted and were effective for many disadvantaged populations. More needs to be understood about what blends of services are most effective for different groups.

### *What about impacts over time?*

While this study's 24-month span allowed us to examine the immediate impact of each strategy, longer-term studies would be valuable. Such studies would allow us to see whether earnings gains grow or diminish over time, and may cast a different light on the effectiveness of each approach.

## **Closing Thoughts**

Sector-focused programs aim to connect disadvantaged job seekers and low-skilled workers to employment opportunities, addressing unmet hiring needs of local employers and improving participants' prospects in the labor market. As we emerge from the Great Recession, which has disproportionately affected disadvantaged workers, these strategies and the organizations that implement them may represent a key element in America's economic recovery—for its workers and its employers.

## Executive Summary Endnotes

1. Low-wage workers are defined as those who are paid a wage such that, even with full-time, full-year employment, their annual earnings fall below the poverty line for a family of four. See Loprest, Pamela, Gregory Acs, Caroline Ratcliffe and Katie Vinopal. 2009. *ASPE Research Brief: Who Are Low-Wage Workers?* Washington DC: US Department of Health and Human Services, Office of Human Services Policy, Office of the Assistant Secretary for Planning and Evaluation.
2. A 2009 survey conducted by Manpower, Inc., found that 19 percent of United States employers reported having trouble finding skilled workers to fill vacancies. See Manpower, Inc. 2009. *2009 Talent Shortage Survey Results*. Manpower, Inc. For a discussion of the challenges facing manufacturers looking for skilled workers, see Jusko, Jill. "The Training Imperative." *Industry Week*, March 17, 2010. For a discussion of the shortage of healthcare workers in California, see Lauer, George. "Shortage of Allied Health Care Workers Strains California Clinics." *California Healthline*, January 27, 2009.
3. Holzer, Harry J. and Robert I. Lerman. 2007. *America's Forgotten Middle Skill Jobs: Education and Training Requirements for the Next Decade and Beyond*. Washington, DC: The Workforce Alliance.
4. Repeated use of welfare is common. An analysis by the Urban Institute found that 21.9 percent of those who leave welfare return within two years. For more information, see Loprest, Pamela. 2002. *Who Returns to Welfare?* Washington, DC: Urban Institute.
5. None of the programs in the study included welfare recipients who had been mandated to attend the training.
6. Incumbent worker training refers to training for currently employed workers.



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