

ASSESSMENT OF IMPROVED WAGE REPLACEMENT FOR DISLOCATED WORKERS

U.S. Department of Labor, Employment and Training Administration

July 2002 – February 2005

Project Summary: One of the U.S. Department of Labor’s (DOL) goals in serving dislocated workers under the Workforce Investment Act (WIA) is for workers served to return to work and earn a wage close to the wage earned prior to dislocation. Earnings replacement is a challenging goal for the Department and the workforce development system that it oversees—especially given that some studies have suggested that earnings losses for dislocated workers appear to persist at a level of 14 percent or more even four years after displacement. The issue of improving earnings replacement for dislocated workers has been of substantial interest to the Department, as well as to state and local workforce development agencies responsible for operating WIA dislocated worker programs. The broader objectives of this study were to better understand variation in earnings replacement outcomes across state and local workforce investment areas and to disseminate information on effective strategies for serving dislocated workers to achieve earnings replacement goals. Under WIA, “earnings replacement at six months” is one of 17 performance measures upon which local Workforce Investment Boards (WIBs) are assessed each year to determine performance under WIA.

The study team (from Capital Research Corporation, the Lewin Group and Johns Hopkins University) assisted the Department in its efforts to better understand wage replacement outcomes and to enhance efforts by the Department to disseminate information on effective strategies for serving dislocated workers and achieving wage replacement goals. This study included multivariate analysis of participant-level data (including WIASRD data) to analyze patterns of wage replacement among dislocated workers. Project staff also interviewed administrators at 24 WIBs by telephone and conducted follow-up site visits to 9 WIBs to further examine reasons that dislocated workers are able to and unable to secure jobs at pre-dislocation wages. A series of six reports were prepared under this study. For example, one of these reports (1) documented the variation in wage replacement outcomes across state and local WIBs; (2) highlighted the main factors that appear to drive state and local WIB performance on wage replacement outcomes, including local economic conditions, characteristics of the workers served, and characteristics of the programs providing services; and (3) identified steps that DOL/ETA, as well as state and local agencies might take to enhance performance and reduce variation on this measure.

Reports:

J. Trutko, B. Barnow, and M. Farrell, *Earnings Replacement Outcomes for Dislocated Workers: Extent of Variation and Factors Accounting for Variation in Earnings Replacement Outcomes Across State and Local Workforce Investment Boards*, Capital Research Corporation, prepared for the U.S. Department of Labor, Employment and Training Administration, 2004.

J. Trutko and B. Barnow, *Improving Performance on Earnings Replacement Outcomes for Dislocated Workers: A Best Practices Guide for State and Local Workforce Investment Boards*, Capital Research Corporation, prepared for the U.S. Department of Labor, Employment and Training Administration, 2004.

J. Trutko and B. Barnow, *Co-Enrollment of Dislocated Workers in the Trade Adjustment Assistance (TAA) and Workforce Investment Act (WIA) Programs*, Capital Research Corporation, prepared for the U.S. Department of Labor, Employment and Training Administration, 2004.

B. Barnow, *After-the-Fact Adjustments to Performance Standards Under the Workforce Investment Act (WIA) Dislocated Worker Program*, Capital Research Corporation, prepared for the U.S. Department of Labor, Employment and Training Administration, 2004.

M. Farrell and A. Glosser, *Negotiating Realistic Performance Goals: A Guide for State and Local Workforce Investment Boards*, Capital Research Corporation, prepared for the U.S. Department of Labor, Employment and Training Administration, 2004.

M. Farrell, A. Glosser, J. Trutko, and B. Barnow, *Gaming Strategies Local Workforce Investment Boards Use to Increase Performance on Earnings Replacement Goals*, Capital Research Corporation, prepared for the U.S. Department of Labor, Employment and Training Administration, 2004.

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