Increasing Training Opportunities for Displaced Workers

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* Views expressed are our own and are not official positions of the Federal Reserve Bank of Chicago or the Federal Reserve System
Displaced Workers

- 1 to 3 million high-seniority workers lose jobs each year
  - Many in distressed communities

- Earnings losses persist long after reemployment
  - Traditional UI is little help
Community College Training

- **Old dogs can be taught new tricks: ROI ~12%!**

- **Some workers more likely to benefit from CC retraining**
  - Young, have previous post-secondary education, female
  - Take technical vocational courses

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**Figure 4: The Impact of Community College Retraining on Earnings, by Years Since Training Ended and Gender**

![Graph showing earnings increase over years since retraining ended, differentiated by gender.]
Proposal 1: Pell Grant for Displaced Workers Program

- Idea: encourage return to work and continued retraining

- Maximum entitlement of 1.5 times drop in earnings up to $30,000
  - Example1: Old job: $60,000; new job: $40,000; subsidy = $30,000
  - Example2: Old job: $20,000; new job: $18,000; subsidy = $0

- While new job earnings < old job earnings, subsidy accumulates up to max Pell Grant ($5,353 per semester)
  - Covers tuition, fees, child care, and transportation
  - For up 5 years following job loss

- Restrictions:
  - No more than one remedial course.
  - Phase out for high incomes (> $80,000)
  - Satisfactory progress
Proposal 2: Greater Support for Community Colleges

- **The demand for CC retraining greatly expands when communities are in distress**
  - More displaced workers
  - Lower opportunity cost of training
  - Pell Grant for Displaced Workers Program will worsen problem!

- **Funding for CCs tends to shrink given distress**
  - State and local government tax expenditures decline

- **Proposal 2: Provide federal CC funding to distressed communities**
  - Analogous to federally funded extended UI benefits for states with high unemployment
  - Valuable insurance for all regions
  - Special service pay for CC teachers in high demand
Proposal: Increased Efficiency and Evaluation

- **Proposal 3: States should recognize higher costs of high return courses**
  - High returns to courses such as nursing suggest under provision
  - State reimbursement formulas should account for higher expenses of staffing and laboratory work, etc.
  - Authorize higher charges/reimbursement for more expensive courses
  - Pell Grants allow continued affordability

- **Proposal 4: Target the “Training-Ready”**

- **Proposal 5: Performance Standards and Reporting Requirements**

- **Proposal 6: Evaluation and Dissemination**