Why States Should Evaluate Workforce Development and Job Training Incentives

Webinar explores ways that policymakers can measure the impact on state economies and workforces

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Projects: Economic Development

As more states adopt workforce development incentives to address businesses' need for skilled workers, policymakers will need to routinely review and measure their effectiveness, according to speakers at a webinar hosted by The Pew Charitable Trusts.

The Pew Charitable Trusts hosted a webinar Aug. 20, 2024, that featured Ellen Harpel, founder of Smart Incentives, and Ellen Miller, chief economic development and quantitative analyst for Virginia's Joint Legislative Audit and Review Commission (JLARC). The speakers shared their experiences evaluating workforce and job training incentives in New York and Virginia.

According to Harpel, state policymakers increasingly recognize workforce incentives, such as tax credits for employee training and recruitment, as economic development tools to help ensure that businesses have enough workers with the right skills while providing career opportunities for state residents. She said the number of legislatively enacted workforce and training incentives nationwide more than doubled in four years, from 137 in 2020 to 280 in 2024. And with that kind of growth, the importance of regular evaluations of program effectiveness increases as well.

Harpel, for example, spoke about her work with a team from PFM Group Consulting that conducted an economic impact analysis of New York state's tax incentives. For the report, released in 2023, they evaluated six "worker-specific" tax credits, all intended to broadly benefit the workforce. Among those are New York's Employee Training Incentive Program (E-TIP) and Empire State Apprenticeship, as well as population-specific tax credits, such as those encouraging the hiring of veterans, people with disabilities, and younger workers.

Using an economic impact model, the team studied the effectiveness and return on investment of these credits. Researchers analyzed factors such as job creation, the effect on tax revenues, and whether the same level of economic activity would have occurred without the incentive.

The evaluations found that most of the worker-specific tax credits were both costly and underutilized, probably because of limited awareness and complex processes to qualify for them. They found that the incentives generally had a limited impact on businesses and individuals. In fact, most did not generate substantial job growth. One of the more successful was the New York Youth Jobs Program, which was expensive for the state and had a significant number of participants. But the seemingly large number of jobs that were created tended to be part time, low paying, or in high-turnover sectors. Similar to the other incentives, the youth jobs program ultimately yielded a negative economic return on the state's investment.

Miller, meanwhile, discussed her state commission's 2018 evaluations of the Virginia Jobs Investment Program (VJIP), the Small Business Jobs Grant, and the Worker Retraining Tax Credit. JLARC compared job attainment data from program participants with state employment records to measure the impact using economic modeling software. This process could assess whether the projects met their job creation goals, whether the grants influenced business decisions or encouraged workforce benefits, and what economic benefits they provided to the state. Evaluators found that VJIP and the Small Business Grant had mixed success in achieving these goals, while the Worker Retraining Credit proved ineffective in encouraging retraining.

Both speakers addressed challenges in completing their analyses, most notably data availability and quality. It was difficult to access a lot of necessary data, particularly when information was collected across several state agencies. Harpel and Miller said evaluators could better measure an incentive's effectiveness with more comprehensive data on jobs, wages, industry, and the number of employees receiving credentials—especially over the long term. One key takeaway from Harpel was that many of these incentive programs could be more effectively structured as grants, especially to simplify program administration (and increase uptake by businesses as a result) and to monitor data collection.

Both evaluations also used academic literature to fill in knowledge gaps and solicited stakeholder feedback, either through surveys or interviews. Miller said JLARC's academic research indicated that changes in business activity and job openings are more likely to influence retraining actions than incentives.

Pew has worked with state and city tax incentive evaluators for more than a decade. A library of resources on evaluation processes and approaches is available in our incentives toolkit.

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