

TRANSCRIPT

The Work Goes On

Guest: Ernst Stromsdorfer

Record Date: May 24, 2024

Posting Date: June 10, 2024

LINK to podcast: <https://on.soundcloud.com/KLcrWVntDq6LB3PL7>

Ernst Stromsdorfer:

I wound up at Penn State and got down to business and started this career of attempting to discover whether occupational and employment training paid off for different populations. My career was spent in various studies of that particular question.

Orley Ashenfelter:

Welcome to [The Work Goes On](#), a podcast from the [Industrial Relations Section at Princeton University](#). I'm your host, [Orley Ashenfelter](#), the Joseph Douglas Green 1895 Professor of Economics at [Princeton University](#).

In this podcast series of conversations with leading thinkers and practitioners, we are creating an oral history of an entire generation of industrial relations experts and labor economists whose contributions to their fields have been absolutely extraordinary. Our guest today is [Ernst Stromsdorfer](#), Emeritus Professor of Economics at [Washington State University](#). He is renowned for his work in labor economics and especially for his analyses of the effects of training programs on labor market earnings. Ernie, welcome to [The Work Goes On](#).

Ernst Stromsdorfer:

I'm very glad to be here.

Orley Ashenfelter:

Let's begin the discussion by talking about your background. Where did you grow up?

Ernst Stromsdorfer:

Well, I was born in St. Louis and I lived in the Ozarks during World War II and I attended a one-room schoolhouse with grades from one to eight. I was in the fourth grade at that time. Teacher discovered I knew how to read and write and so she left me alone and I became a TA in effect, teaching other kids in the room to read and write. Things happened off and on and I went back to St. Louis, finished school, high school, and went to Washington U. in St. Louis. I dropped out after the sophomore year and went in the Army, came back after two years, and finished off my bachelor's degree, got married, but I had a degree in philosophy and there weren't many people hiring philosophers. So, I got lucky and got a Woodrow Wilson Fellowship and got a master's in industrial relations out of Illinois and those people had to work for private sector businesses. My father was a union man and I thought I was a union man, so I wasn't about to work for a business. So, I went back to Washington U. to get a PhD in economics.

I got there via Heilbroner's "Worldly Philosophers" that got me interested in economic history. My first job was at the University of Wisconsin Econ Department working with Gerry Somers. There, I discovered

the real world of who knows what and what do you need to know to succeed in this business. The people around me at the time were some of the giants in the profession and pretty intimidating -- Arnold Zellner and Art Goldberger, Guy Orcutt, and then Glen Cain as well. That was my apprenticeship there. That was basically a postdoc. A year or so later, after spending an academic year at the University of Tennessee, I wound up at Penn State and got down to business and started this career of attempting to discover whether vocational technical training paid off relative to comprehensive education in high school on the one hand and then the extension of that notion whether occupational and employment training paid off for different populations.

My career was spent in various studies of that particular question -- welfare women, can you train them? Does it pay off? Unemployment insurance recipients, unemployed, can you train them? Does it pay off? Poor or near poor women in Washington State, can you train them? Does it pay off? What about the GED? Does that work? So those were the activities I engaged in and used the skills since I did not have, I avoided and I did not have sound skills in mathematics and formal econometrics, I always teamed up with someone who did. My first team up was at Penn State with two students of Art Goldberger. They were Chinese Americans from Taiwan, but they knew their stuff and made these studies that we did a success. Later on, I continued this behavior and ultimately wound up at Washington State University and, while there, received a five year, three-and-a-half million dollars contract to study the poor and near poor women in the state. We had the good fortune to bring on a half a dozen Chinese students from mainland China, every one of which was sound in mathematics and statistics.

They picked up on the microeconomics very quickly and they learned SAS very quickly and they made my life a pleasure. That's where I was. When they graduated, that was the end of my tenure there at Washington State. I retired and went to Olympia and then joined the Department of Employment Security in Washington State, the Labor Market and Economic Analysis branch, which was a sort of baby Bureau of Labor statistics for the state. There, I stayed for 10 years and studying stacked cross-section data on UI unemployment and the training of UI recipients who were unemployed. We have 12 years of stacked cross-sections, annual cross-sections. The beauty of this was that we had the UI earnings records, and they were relatively accurate, much more accurate than the kind of data you collect in the field. At that point, I was cribbing off of your intellectual work, Orley, with specifying the dependent variables, in difference in differences. Then the rest of my intellectual theft was from Heckman and based on two articles he had in *Economica* where he did estimated product probability functions of taking training for both the training group and a random sample of non-trainees.

With those probability estimates, he did matches, so we did the same. So, we had a match sample and then we had a Generalized Least Squares estimate with your difference in differences as the dependent variable in earnings. When that study was done, I was 81-and-a-half years old, and it was time to retire. So, I really did retire, came to my home in Olympia, and led the good life.

Orley Ashenfelter:

Let me ask you, Ernie, I'm going to back up a little bit. I know you spent a long time at Washington State University and actually I noticed that two of your, I think, former students have created a [research endowment in your name](#).

Ernst Stromsdorfer:

Yeah, the Chinese students were totally unfamiliar with how to live and be successful in American academia and American culture, so I took these Chinese students under my wing. I always brought them to conferences, Western Economic Association. I had them deliver the papers that we wrote up

together. I told them that in class, they can speak up and challenge a professor and they should do so, which is something that wouldn't be allowed in China. I showed them how to apply for funds and get money. So one of these students, Jain Cao, applied to a program up at the University of Wisconsin Econ Department for a postdoc and won that. So, I helped them navigate the strange environment of the American university system and the American economy.

Every one of these students that came over that worked with me stayed in America. Most of them have jobs in the state government in Washington State, and they're middle management people in charge of agencies and sub-agencies in the state. So, I feel pretty good about that. They went ahead without my knowledge and generated a [scholarship fund](#), and I'm going to contribute to that after I walk over the Rainbow Bridge over the River Jordan and join whatever's on this other side of the river.

Orley Ashenfelter:

I wanted to ask you about another part of your career. You spent some time in the Department of Labor, involved for several years, I think, before you moved on back to academia or maybe you moved on to something else after that. Who did you work for in the Labor Department?

Ernst Stromsdorfer:

Well, I was in the Office of the Secretary for Policy Evaluation and Research. This was in the assistant secretary office and it was Al Weiss who had been the research director for the Teamsters. He was a very diffident guy, very shy, not very assertive, and he appointed me Deputy Assistant Secretary of Labor. My job at that time was to improve the quality of evaluation and research in the Department of Labor. As you know, since you were in the same office, the operating agencies don't like to be evaluated and at best, they collect data on how they function and then they manage to degrade it and hide it so you can't use it. So, that was the characteristic of the Occupational Safety and Health Administration. They managed to avoid any effort on our part to see what was going on. I had the same, similar, different problems in the management of the Assistant Secretary for Employment and Training, which was formerly the Manpower Administration.

One of the people that I had to work with, Seymour Brandwein, did not approve or understand anything that had algebra in it. So, he generated a study, six case studies, for 6 million dollars total. We referred to that as the Bionics Research Study. I'm sitting in my office, practicing being a Deputy Assistant Secretary and the Department of Labor Inspector General walks in and says, "You're responsible for this study. It is your fault that it's failing and you have to fix it, and you have to do it right away." That was a come to Jesus thing for me, and I did the very obvious thing that any rational person would do. I called you up and you said, "Well, I think I can help you. Give me 75,000 dollars and I'll have my top student, Nicholas Kiefer, work on it." So, we had six million dollars worth of data being analyzed by a very smart economist for a lousy 75,000 dollars. It was a bargain for the taxpayer at that time. The IG left me alone, and we even gave the data to David Greenberg over in Health and Human Services.

This was unheard of that you might have Department of Labor data and you would share it with somebody in a different agency without any strings attached. Well, I did these things and I was known as a Chicago economist because I wanted to know how programs work. So, I should live so long to be a Chicago economist. I'd love to do that.

Orley Ashenfelter:

Yeah.

Ernst Stromsdorfer:

But you actually couldn't ask the question, "Does this work?" If it doesn't work, we should cancel it and not have workers and citizens being treated by this program. That simply wasn't generally accepted. Senator Warren Magnuson was operating at that time and tried to get me fired. Well, he cut my budget to zero. The Congress pacified him by cutting the research budget in the HEW Office of the Secretary for Policy and Evaluation (ASPE) in half and leaving mine alone...That's how government works sometimes. I thought that was simple justice.

Orley Ashenfelter:

Well, I guess you could say that. Now, I know you also spent some time in, I guess, we could call it the private sector working at Abt Associates.

Ernst Stromsdorfer:

Oh, yes. That was interesting. I was there for five years, and the first study we had was a study of welfare women in Minneapolis. The irony is as a Deputy Assistant Secretary, I tried to get this thing canceled. Well, a year later after I've left Indiana University, I'm at Abt Associates, and there's this multiple million dollar contract for Minnesota that I'm living off of that two years prior, I tried to get canceled. The reason why was the sample design simply was very flawed, and I wasn't sure you could get any kind of meaningful results that you'd be willing to talk about. But we had the money and it's a consulting business, and if you've got money in the consulting business, you spend it. Later, what really was interesting was we received a contract from the Manpower Research, what did they call it? MDRC, Manpower Research Corporation, Manpower Demonstration Research Corporation, operated by Judy Gueron, a Harvard Econ PhD. She was first-rate, very tough. Anyway, we won a multiple year contract from her.

She was a pass-through from the Department of Labor, and we beat out the Urban Institute. D. Alton Smith and I spent a long weekend writing up a modest proposal, about 30 pages of narrative, a couple little equations. We promised to try and settle the selection problem with Heckman Correction, et cetera, et cetera. Urban came in there with a inch-thick proposal full of algebra. This did not impress Judy Gueron. She didn't like that. So, I'm sitting there being interviewed by Judy Gueron and Robert Solow and another person who, I forget that person's name. The climactic point in the interview came when Robert Solow asked me, what did I expect to find in this database or these use... I said, "The results will be mixed." He thought that was wise, and because he thought that was wise, we won the five- or six-million-dollar contract, and Urban did not, and they were definitely eclipsed. That's a Yiddish term, for gobsmacked, which is a British term, for, totally confused and bollixed.

Orley Ashenfelter:

Ernie, we are coming toward the end of our conversation, but there is a topic I would like to talk with you about perhaps at some length. I think you have been responsible for more empirical analyses of labor market programs and their impact on the members of the programs than anybody. Others have done, I worked on the problem, others have as well, as you say, Jim Heckman did. But I think you have done more and sometimes, of course, with well-designed studies, sometimes not. But I think I'd like to ask you this. If you think back over all of these studies, what stands out to you as amongst the strongest findings?

Ernst Stromsdorfer:

I think the strongest findings we had was actually when I was at the Department of Employment Security with the Labor Market and Economic Analysis branch when we had these stacked cross-sections of

unemployment insurance recipients. So, we had these people who were taking training and we had other UI recipients unemployed who did not. So, we applied the Heckman procedures in his two *Economica* articles, plus your notion of difference in differences, and we've got very good, reliable, I thought, results because his samples were well-matched to give the state-of-the-art. We corrected for selection as good as you could possibly do with the state-of-the-art, using the latest techniques that you and Heckman had developed over time. I had supreme confidence in those results, and they were right in the ballpark. The returns to training were in the neighborhood of ten percent, which is, of course, it's what you'd expect. But I didn't fudge. I didn't play any games. The data was straightforward, matching, and straightforward, generalized least squares, no fancy whiz-bang, and the results panned out. So, training pays off if you do it right for the right population.

Orley Ashenfelter:

Well, I was going to ask you that. So are there further examples of results? For example, are there some people who benefit more from training than others?

Ernst Stromsdorfer:

Well, it's clear that unemployment insurance recipients who have an attachment to the labor market will benefit more from training than people who are not firmly attached, such as welfare women. I think that you could draw that conclusion and you can conclude also that for poor, near poor women, the GED has no economic benefit whatsoever, which is consistent with the findings that Heckman had at about the same time when we were writing this paper. It's really because the people that are unemployed, like welfare people and youth dropping out of school, have so many problems that they're facing. It's hard to develop a simple statistical framework that's going to be convincing when you find the results. We just couldn't get anything decent from the youth employment entitlement pilot projects because we didn't have good comparison groups. Basically, the whole study, which lasted three or four years and was multiple millions of dollars, was a waste of money.

Orley Ashenfelter:

Thank you, Ernie. That's a very nice way to summarize what we've discussed. I think your analysis and especially your experience in the government tells us about how we can find out things sometimes not as positive as we like, and sometimes positive. Our guest today has been [Ernst Stromsdorfer](#), Emeritus Professor of Economics at [Washington State University](#). Please join us again for the next episode of [The Work Goes On: an Oral History of Industrial Relations and Labor Economics](#) from the [Industrial Relations Section at Princeton University](#). I'm your host, Orley Ashenfelter. Thanks for listening.

Announcer:

[The Work Goes On](#) is a production from the [Industrial Relations Section at Princeton University](#). For more information on our people, research, events and programming, visit our website, irs.princeton.edu.