

EXECUTIVE SUMMARY

A key goal of the Workforce Investment Act of 1998 (WIA) is to empower customers of the workforce investment system and give them meaningful choices about the types of services they receive. The requirement that local workforce investment areas use vouchers or individual training accounts (ITAs) to fund training is one of the most important ways in which WIA addresses this goal. Instead of having local staff decide who receives what kind of training from which providers, under WIA, customers can use ITAs to fund training programs of their choice from a wide selection of state-approved providers.

The ITA experiment was designed to provide federal, state, and local policymakers with information on the effectiveness of, and trade-offs inherent in, different approaches to managing customer choice in WIA training programs.¹ It tests three approaches that vary along the following dimensions: (1) the method used to determine each customer's spending, (2) whether counseling is required or voluntary, and (3) the ability of local staff to restrict customers' training choices. These approaches are:

- ***Approach 1 (Structured Customer Choice)***. This is the most directive of the three approaches. The counseling provided under this approach is intensive and mandatory. Counselors are expected to steer customers to training programs with the highest net benefits (benefits minus costs), and they can reject choices that do not fit this criterion. Once the appropriate course of training is selected, customers receive a customized ITA to meet their training costs up to a high maximum cap (\$8,000 in most study sites).
- ***Approach 2 (Guided Customer Choice)***. This approach is similar to the approach that most local areas adopted on their own in the transition to WIA. Counseling is mandatory, but it is less intensive than under Approach 1. Counselors cannot reject customers' choices if they are on the state's list of approved providers. Customers receive a fixed ITA award (\$3,000 in most study sites).
- ***Approach 3 (Maximum Customer Choice)***. This is the least structured of the approaches. Customers have voluntary access to counseling but are not

¹ This study is funded by the U.S. Department of Labor (DOL) and is being conducted by Mathematica Policy Research, Inc. (MPR) and its subcontractors, Social Policy Research Associates and Decision Information Resources.

required to participate in any activities. Customers receive a fixed ITA award, equal to the award under Approach 2, and can choose any program on the state's list of approved providers.

The ITA experiment uses an experimental design to explore how these different approaches affect customers, program staff, and training providers and generate different training choices, employment and earnings outcomes, and customer satisfaction. It will also explore the return-on-investment, for each approach.

As ITAs are offered to customers under all the tested approaches and there is no control group that is denied access to training, the ITA experiment cannot assess the overall effectiveness of offering ITAs. Instead, it examines the effects of different approaches to offering ITAs.

All three approaches were implemented in eight study sites located in or around Atlanta, Georgia; Bridgeport, Connecticut; Charlotte, North Carolina; North Cook County, Illinois; Jacksonville, Florida; and Phoenix, Arizona. (In Atlanta and Phoenix, the experiment was implemented by consortia of two local workforce investment areas.) Customers found eligible for training in these sites were enrolled in the experiment and randomly assigned to one of the three approaches. During the experiment's intake period (December 2001 to February 2004), about 8,000 WIA customers were enrolled in the experiment across the eight study sites.

This report presents preliminary evaluation findings. It describes how the ITA approaches operated across the eight study sites and presents estimates of the impacts of the three approaches on intermediate outcomes, including participation in counseling, training choices, and sites' expenditures on training. A later report will present an analysis of impacts on additional outcomes, including training completion, customers' employment and earnings after training, and customer satisfaction, as well as an analysis of the return on the investment in training.

IMPLEMENTATION OF THE ITA APPROACHES

The first broad set of questions addressed in this report relates to the overall feasibility of each ITA approach, challenges in making the approaches operational, and lessons learned about their implementation. Our examination of the implementation of the ITA approaches across the eight study sites led to the following conclusions.

Approach 1 Was Not Implemented as Planned

Contrary to the Approach 1 requirements, counselors were reluctant to be directive in their counseling. In general, counselors tended to defer to customer preferences, failed to steer Approach 1 customers to high-return training, and were reluctant to deny training to customers. This was true in all eight sites, for both dislocated worker and adult customers. Interviews with counselors suggest that they understood the Approach 1 requirements but did not buy into its philosophy and found being directive difficult.

Counselors were reluctant to be as directive as Approach 1 specified for four main reasons. First, it was counter to the collaborative way in which counselors usually worked with local customers. Second, many counselors believed that respecting customers' preferences increased the likelihood that they would complete training. Third, counselors felt that the local labor information on which they were to base their directive counseling was out of date or inadequate. Fourth, counselors felt uncomfortable prescribing a specific training strategy for customers in highly specialized fields, such as information technology.

Any local workforce investment area interested in adopting Approach 1 will probably face similar implementation challenges. Implementing this approach successfully is likely to require fundamental changes in counseling, including a move away from the collaborative style currently used. Alternatively, sites could move toward Approach 1 (but not replicate it) by imposing administrative restrictions on customers' training choices (for example, approving ITAs only for training for high-wage occupations in demand locally). Under this alternative approach, however, customers would not necessarily be directed to their highest-return occupation. Moreover, such policies could deny access to training to entire groups of people who might still benefit from participating in training.

Approach 2 Was Implemented as Planned

Our assessment was that Approach 2 was implemented as planned in all sites. Of the three approaches, Approach 2 was closest to the one used before the experiment in all sites and was the one counselors felt most comfortable implementing. This would not be a difficult approach for other sites to adopt—all the demonstration sites adopted a variant of this approach after the experiment.

Approach 3 Was Generally Implemented as Planned

With minor exceptions, counselors in all sites adhered to the requirements of Approach 3—that is, to offer help to customers but to provide assistance only when the customers requested it. Some counselors did provide some unrequested counseling at orientation or when customers came to pick up their ITA vouchers. However, this counseling was unstructured and minimal.

Before adopting Approach 3, site administrators would need to see evidence that customers fare well without additional counseling on their training choices. Site administrators, as well as counselors, were concerned that customers might make poor choices without counselor guidance under Approach 3. This could lead to poor employment outcomes for the customers and affect the site's ability to meet its performance standards.

Program Research Was Viewed as Helpful

The research team developed a set of paper forms and other tools to help support the activities required as part of each approach (Appendix A). The intent of these tools was to standardize the content and structure of ITA-related counseling across the study sites.

In all sites, the tools developed to help customers compare alternative training programs were viewed as particularly helpful. This was especially true for those customers who were “reverse referred”—customers who went to a training provider first to inquire about their programs and were referred by the provider to a One-Stop Center for funding. Both during and after the experiment, counselors were diligent in enforcing the experiment’s program research requirements, reflecting the importance sites placed on this research. Although, in the experiment, program research tools were provided on a consistent basis to Approach 1 and 2 customers only, it may be useful to provide these tools to all customers, even if counseling is voluntary.

One Size Does Not Fit All in Counseling, but Tailoring to Customers’ Needs Is Challenging

During the experiment, counselors were required to conduct the same activities with all customers assigned to a given approach, regardless of customers’ specific needs. Site administrators and counselors argued that, while some counseling tools and activities are useful for some customers, requiring all customers to use all of them places unnecessary burden on both the counselors and the customers. After the experiment was over, sites adopted some of the experiment’s tools but left their use to counselors’ discretion.

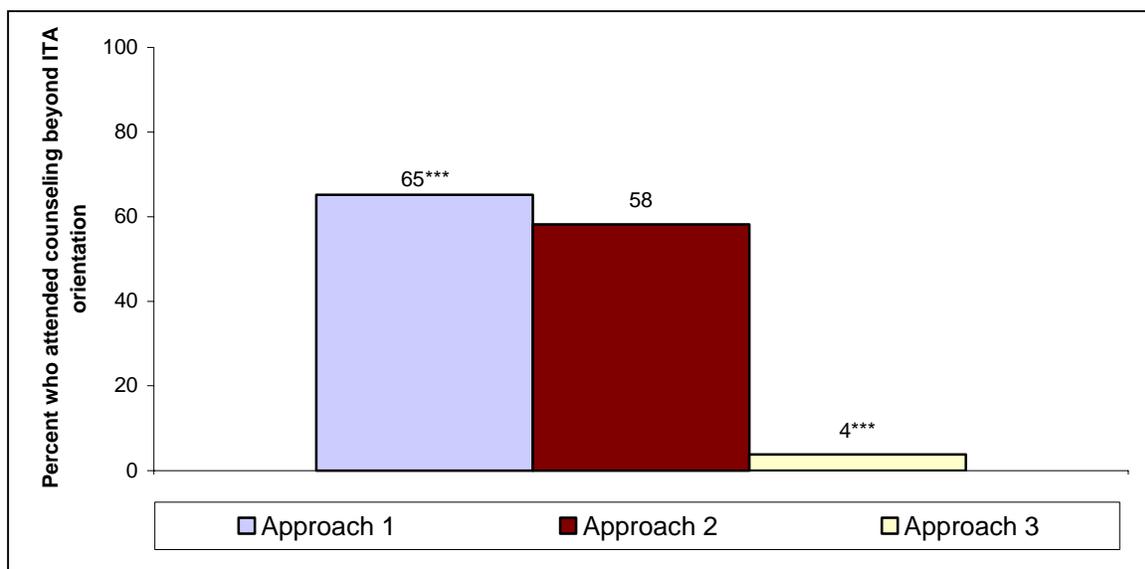
Evidence from the experiment suggests, however, that tailoring approaches to the needs of the customers would be challenging. Evidence from Approach 3 suggests that, if customers were given the choice, they would not volunteer for a counseling activity regardless of their needs. Hence, tailoring the counseling requirements means that counselors must be able to judge if a customer needs to complete an activity and, if so, to require the customer to do so. Evidence from Approach 1 suggests that counselors may be unwilling to be this directive.

INTERMEDIATE IMPACTS OF THE ITA APPROACHES

The approaches tested in the ITA experiment were designed to be sufficiently different from one another that important customer outcomes could differ from approach to approach. In this report, we examined the impacts of the three approaches on some intermediate outcomes, including customers’ participation in counseling, participation in training, and training choices, as well as sites’ training expenditures. Our analysis led to the following conclusions.

When Counseling Is Voluntary, Customers Rarely Request It

When counseling was voluntary under Approach 3, only a small proportion of customers requested it. This was equally true for adults and dislocated workers and did not vary much across sites. Overall, only four percent of Approach 3 customers requested any counseling beyond the mandatory ITA orientation (Figure 1). In comparison, 65 percent of Approach 1 customers and 58 percent of Approach 2 customers participated in some counseling activities.

Figure 1. Participation in ITA Counseling Beyond Orientation

*** = Difference relative to Approach 2 is statistically significant at the .01 confidence level.

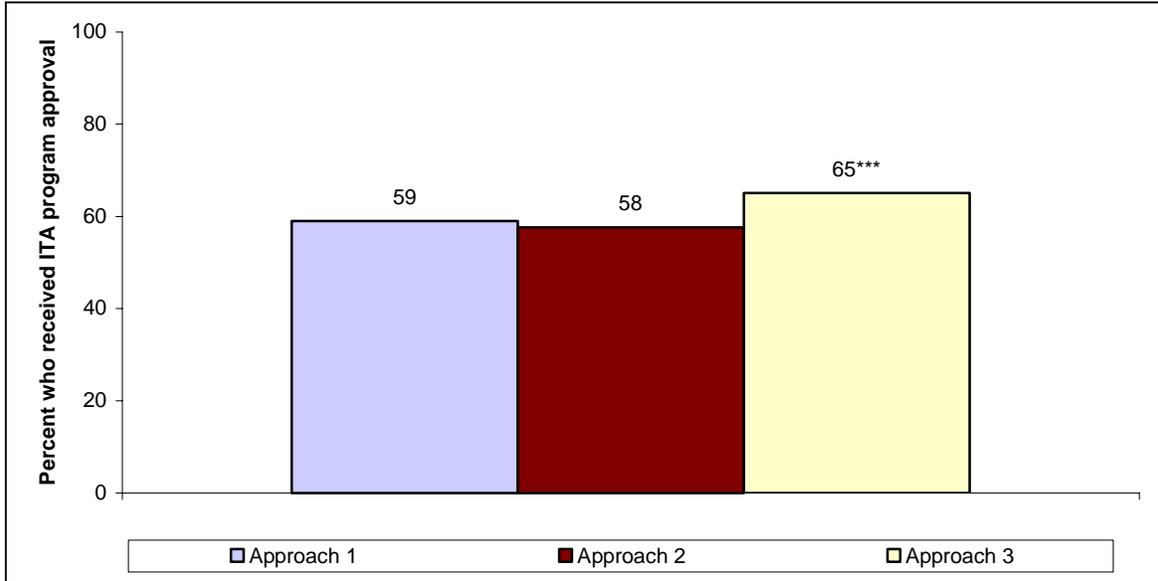
Counseling Requirements Discourage ITA-Funded Training

Customers under Approach 3 were significantly more likely to receive an ITA than customers under Approach 2. The impact of the approaches on the receipt of an ITA was about 7 percentage points: about 65 percent of all customers assigned to Approach 3 received an ITA, compared with 58 percent of customers assigned to Approach 2 (Figure 2). As customers under both approaches were offered the same fixed ITA, this difference can only be attributed to the differences in counseling requirements across approaches. This difference was found in all sites and for both adults and dislocated workers.

Much of this difference in training rates can be attributed to Approach 2 customers dropping out of the process between learning of their approach requirement and the ITA orientation. Only 67 percent of Approach 2 customers attended the ITA orientation, compared with 74 percent of Approach 3 customers (not shown). Therefore, it is the customers' knowledge of the additional counseling requirements even before orientation that discourages training under Approach 2.

Rates of ITA-Funded Training Were Similar Under Approaches 1 and 2

The rate at which customers received ITAs was remarkably similar across Approaches 1 and 2—overall, about 59 percent of customers received ITAs under Approach 1, compared with 58 percent under Approach 2 (Figure 2). The rates of initiation of ITA services were also similar—68 percent of Approach 1 customers attended an ITA orientation, compared with 67 percent of Approach 2 customers (not shown). These patterns were found for both adults and dislocated workers and in the majority of sites.

Figure 2. Participation in ITA-Funded Training by Approach

*** = Difference relative to Approach 2 is statistically significant at the .01 confidence level.

Two countervailing factors may have resulted in the lack of difference in the ITA training rates under Approaches 1 and 2. First, our evidence suggests that some customers learned about the potential for a higher ITA award under Approach 1 (although staff were not supposed to disclose the Approach 1 cap to customers), and this may have encouraged customers to apply for an ITA. Second, however, the additional counseling requirements under Approach 1 may have discouraged customers from participating in the process of obtaining an ITA. Our assessment is that any positive effect of the higher potential award offset the negative effect of the additional counseling. The ability of the counselors to veto customers' choices could also potentially have reduced training rates, but it is unlikely to have done so in practice, as counselors rarely, if ever, exercised their veto authority.

Site Expenditures on Training Were Highest Under Approach 1 and Lowest Under Approach 2

The approaches were designed so that the sites could spend the same total amount on training under each approach. The fixed cap limited expenditures in Approaches 2 and 3. Training expenditures under Approach 1 were to be limited by counselors directing customers to low-cost training and vetoing training choices that were not high return.

Counselors were not very effective in controlling training expenditures, however. Site expenditures on training per customer were about 70 percent higher under Approach 1 than under Approach 2. This was primarily because the average price of programs selected by Approach 1 customers was significantly higher than the average price of those selected by Approach 2 customers (Table 1). Meanwhile, rates of ITA-funded training were similar under the two approaches.

Table 1. Average Cost of ITA Approaches to Local Sites

	Approach 1	Approach 2	Approach 3
Average Price of Selected Programs	\$4,764***	\$3,430	\$3,133
Average ITA Expenditures per Trainee	\$4,731***	\$2,849	\$2,857
Training Rate (Percentage)	59.0	57.6	65.1***
Average Training Cost per ITA Customer	\$2,791***	\$1,641	\$1,853***

*** = Difference relative to Approach 2 is statistically significant at the .01 confidence level.

Site expenditures on training per customer were about 13 percent higher under Approach 3 than under Approach 2. This difference was mainly due to the higher rate of receipt of ITAs by customers under Approach 3 and was not due to any difference in the average ITA award amount (Table 1).

These differences in costs between ITA approaches (shown in Table 1) do not include the costs of counseling and other administrative costs associated with the approach. Estimates of the full costs of administering each ITA approach, including both training and counseling costs, will be developed for the study's return-on-investment analysis. The results of these analyses will be presented in the final report.

Some Small Differences Occurred in Training Choices Across Approaches

We examined the differences in training choices across approaches along three dimensions: (1) the occupation for which training was designed, (2) the type of training provider, and (3) the duration of training. We found some small differences across each of these dimensions.

Occupation. The occupations customers chose across each approach were remarkably similar. However, some evidence suggests that Approach 1 customers were slightly less likely to choose some low-paying occupations and slightly more likely to choose some high-paying ones. Despite counselors' fears, customers under Approach 3 were not more likely to choose low-paying or high-turnover occupations, such as massage therapy or cosmetology. In practice, they chose occupations similar to those chosen by customers under Approaches 1 and 2.

Provider Type. Approach 3 customers were more likely to choose training at a community or technical college and somewhat less likely to choose training at private schools or four-year colleges. No statistically significant difference was found in the type of providers chosen by customers under Approaches 1 and 2.

Program Duration. Approach 1 customers chose programs with an average duration of eight months—one month longer than the average duration of programs chosen by

customers under Approaches 2 and 3. This difference is consistent with the higher price of programs selected by Approach 1 customers.

REMAINING QUESTIONS

This report examined the implementation of the approaches tested in the ITA experiment and differences across approaches in intermediate outcomes. Regarding implementation, our main conclusions are that Approach 1 was not implemented as planned (because counselors were reluctant to be directive), but that Approaches 2 and 3 were implemented well. With regard to intermediate outcomes, our analyses suggest that the ITA approaches (as implemented) influenced customers' receipt of counseling and their likelihood of receiving an ITA. However, the approaches do not appear to have had a large impact on customers' training choices.

We should withhold judgment on the approaches until we learn how customers fare after receiving their ITAs or choosing to forgo ITA-funded training. The customers who do not pursue training under Approaches 1 or 2 may find employment without it. On the other hand, the counseling requirements may have discouraged some of these customers from pursuing training that would have benefited them. In addition, customers who receive more counseling may be more likely to complete training and to find employment after training. Alternatively, we may find that counseling has little effect on training or employment outcomes. Finally, a higher ITA award may or may not lead Approach 1 customers to select higher-return training programs.

To explore these questions, we will use data from a survey of ITA study participants (currently in the field), as well as UI administrative data. In addition, we will use these data, along with data on the costs of counseling and training, to estimate the relative rates of return to WIA expenditures under each approach. The findings from this analysis, presented in our final report, will provide policymakers in local workforce investment areas across the country with more definitive evidence about the best approaches to administering ITAs.