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Public Policy and Methodological Issues in the
Design and Evaluation of Employment and
Training Programs at the Service Delivery Area
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Public Policy and Methodological Issues in the Design and Evaluation of Employment and Training Programs at the Service Delivery Area Level

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The Job Training Partnership Act (JTPA), the largest federally funded employment and training program, targets the economically disadvantaged for program services, aiming to increase participants' skill levels and the value of their skills in the labor market through employment and training investments. JTPA also introduced performance standards to government training programs to guide program administration and service delivery and to increase incentives for efficient program management.

In my dissertation research, I investigated concerns raised over the past decade about the characteristics of clients selected to participate in JTPA, the quality of job-training services provided, and the long-term benefits of these services. Earlier, state-level studies suggested that more "job-ready" clients were being enrolled, and that performance standards encouraged shorter-term services that were less likely to produce lasting program impacts for participants. The federal government made changes to JTPA in the late 1980s and early 1990s with the intention of encouraging the enrollment of more disadvantaged clients and the provision of more intensive training and supportive services.

I studied JTPA program administration and service delivery at the local level, where service providers and training professionals select clients, determine service assignments, and make other administrative decisions on a daily basis. Acting as an advisor to a local service delivery area (SDA) in a large metropolitan area in Illinois, I assisted in the design, implementation, and evaluation of a job-training demonstration program. The demonstration program, which began operations in 1992, was developed partly in response to the new federal policy directives to recruit more highly disadvantaged participants and to provide them with intensive training and supportive services.

Through my role in the demonstration program evaluation, I gained access to extensive information about the SDA's administrative processes, service providers and the terms of their contracts with the SDA, and the service provider staff who work directly with program participants to deliver program services. I

collected all management information system (MIS) records of job-training program participants in this SDA (1984-1994), all contracts (over 750) between the SDA and its service providers through June 1993, detailed records and information on individuals participating in the job-training demonstration program, and other supporting data. I used these data to evaluate the demonstration program and to examine over time the influence of performance standards and other administrative policies and practices on client selection, service provision, and program outcomes and impacts.

I pursued two main research objectives. The first objective was to closely observe and subsequently model the JTPA participant selection and service assignment processes at the SDA level. Uncovering the underlying structure of these judgment processes is important to the analysis and resolution of policy and technical evaluation questions. Specifically, I sought to gain a fuller understanding of the manner and extent to which performance standards and related administrative policies influence participant selection and service assignment decisions. A case-study analysis of these processes was particularly useful since it allowed for the identification and examination of potentially important factors that are sometimes overlooked or obscured in higher-level, aggregate studies of program operations.

The second main objective was to evaluate the effectiveness of the demonstration program's new approach to serving highly disadvantaged job-training eligibles. Two principal features that distinguished this demonstration program from the SDA's standard JTPA programs were: (1) the targeting of funds in a poor, high-unemployment community, and (2) the use of a comprehensive service approach that concurrently or sequentially provided for all employment and training

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and supportive service needs of participants. In addition, the contract between the SDA and the demonstration program's service provider did not include any explicit performance requirements. Incorporating the findings of the study of participant selection and service assignment processes, I conducted a nonexperimental, comparative evaluation of the demonstration program with the SDA's standard JTPA programs to assess whether a targeted, comprehensive service approach is more effective in enrolling highly disadvantaged JTPA-eligibles and helping them secure and retain employment.

The main findings of my research are as follows. I found that changes in federal- and state-level performance standards and other administrative policies are not always implemented at the SDA level. A case-study approach to examining administrative and service delivery process at the SDA level was therefore important to understanding how the JTPA performance standards system operates and its implications for client selection and other important administrative decisions.

The case-study findings showed that current performance standards likely encourage "creaming," (i.e., the selection of participants who would have good post-program outcomes even in the absence of program services), through both direct and indirect incentives they generate in the administrative and participant selection processes. I found that declining program resources impelled the provision of less-expensive services that generally require the recruitment of more job-ready clients to achieve successful outcomes. I also found that creaming had negative implications for the achievement of the program's equity goals and the maximization of earnings gains for participants.

Through the demonstration program evaluation, I showed that targeting program funds to a high-unemployment community provided a number of advantages to serving more highly disadvantaged job-training eligibles. It increased awareness of program services among this underserved group, aided the development of employment and training opportunities close to "home," facilitated the provision of intensive case management, and fostered the development of linkages among community organizations that leveraged additional support for participants.

I also found, however, that eliminating performance requirements from service provider subcontracts does not significantly alter the performance incentives they face. The demonstration program service provider continued to focus on program outcomes at the time of participants' termination. While the evaluation findings showed the demonstration program produced significantly better earnings outcomes at termination, the longer-term goals of employment retention and

economic self-sufficiency for participants were not promoted. Based on my findings, I recommended changes to the JTPA performance standards system to realign its focus on explicit goals of employment retention and the attainment of economic self-sufficiency for program participants.

JTPA Legislative Goals and the Role of Performance Standards

The JTPA legislation broadly defines the terms of access to and the specific goals of JTPA programs. It mandates the provision of employment and training opportunities to "those who can benefit from, and are most in need of, such opportunities." Since limited budgets provide for services to only about 1 to 3 percent of the JTPA-eligible population in a given program year, state and local administrative entities retain substantial discretion in identifying specific target groups, developing selection criteria, and determining service strategies. The performance standards system provides the most direct form of guidance to SDAs in making these important administrative decisions.

The performance standards established by the federal government use measures based on gross outcomes, (employment and earnings at 90 days following program completion), rather than net program impact for participants. States use these standards, along with federal eligibility guidelines, to set target population and performance goals for SDAs. They may also establish additional standards, make adjustments to the standards, or develop their own innovative incentives policies.

The case study of local-level JTPA operations yielded important information about the administration of JTPA programs and the role of performance standards at the SDA level. The influence of performance standards enters directly into the participant selection and service assignment processes through contract provisions, (i.e., cost reimbursement provisions based on performance), established between the SDA and its service providers.

I found evidence that performance incentives at the SDA level do not necessarily reflect federal- and state-level performance standards policies. Although their use is now discouraged, cost-per-placement standards are still incorporated into the case-study SDA's contracts. Along with wages at placement, these measures are the primary criteria for evaluating vendor performance and making decisions about future contract awards. Furthermore, while 1988 legislation amended federal criteria for evaluating employment and earnings outcomes to a period 90 days after

participant termination, contracts between this SDA and its service providers maintained termination-based measures through program year 1992. In addition, performance standard adjustments for services to the highly disadvantaged are used by the state but not in the SDA's contracts or performance review system.

Case Study and Simulation of JTPA Participant Selection and Service Assignment Processes

While JTPA legislation, state and local employment and training goals and priorities, and the terms of contracts between SDAs and service providers all provide guidelines for participant selection and service assignments, the actual decisions of who to select and the services to assign them are fundamentally human judgments. In JTPA programs, these judgments are typically made by the SDA's job-training professionals or the staff of service providers under contract with the SDA.

I evaluated the influences of internal and external factors on participant selection and service assignment decisions using detailed information collected at all stages of participant selection and service assignment processes in one of the case-study SDA's job-training programs. I generated a list of factors intake staff examine in these decision processes and then developed a simulation of the processes. The simulation exercise consisted of four parts: (1) the selection of job-training participants from a pool of applicants, (constructed using data collected in an actual job-training program), (2) the assignment of selected "participants" to training activities, (3) the consideration of alternative scenarios of constraints on these decisions, including different performance standards and cost constraints, and (4) a review and discussion of intake staff selection decisions, which included case comparisons chosen to probe the influences of external factors and applicant characteristics on staff decisions. I analyzed a number of hypotheses using these data. First, is there a relatively small number of observed characteristics of applicants that emerge as important in intake staff selection decisions? What are these characteristics? I was particularly interested in the relative importance of characteristics associated with persons' employability or their probability of placement, as they relate to analyses of the creaming issue. Using information known about actual placement outcomes of program applicants, I also evaluated the influence of applicants' probability of placement on intake staff selection decisions.

A second set of hypotheses posed the following questions: do intake staff use the same decision function in selecting participants, and do they make the

same participant selections? In other words, is there general agreement among persons on how much weight should be given to relevant characteristics and on how these characteristics should be combined to arrive at judgments? A third hypothesis addressed the consistency of intake staff selection decisions.

Case Study and Simulation Findings on Participant Selection

I used logistic regression analyses to test these hypotheses with the simulated and actual data. The findings of the *simulated selection models* suggested that while intake staff emphasize different factors in their decision making, they do not select participants based on characteristics related to the probability of placement. The presence of basic skills deficiencies and limited work histories among applicants emerged as positive selection factors in the simulation selection models. On the contrary, analyses of intake staff's *actual program participant selections*, (using a two-stage logistic regression model), suggested that their selection decisions were strongly influenced by applicants' probability of placement. I concluded that direct creaming based on applicant characteristics might be occurring.

In his classic study in *The Dynamics of Bureaucracy*, Blau (1955) found similar participant screening philosophies and practices among state employment agency staff. As in the SDA case study, agency staff who exercised discretion in selecting clients indicated that they derived satisfaction from helping those most in need. However, in the actual client selections, Blau found that the majority of the agency staff favored persons who were "most likely to be successful in society." He concluded that personal preferences for helping the most disadvantaged were set aside "as a result of the orientation toward maximizing placements" and "in the interest of efficient performance." Forty years later, I found Blau's conclusions to be supported by my findings as well.

Case Study and Simulation Findings on Service Assignment

I learned that the service assignment process begins during the applicant screening process. The types of training services and available training "slots" are determined long before intake staff begin screening applicants and typically before the final approval of program funding. As they screen applicants, intake staff simultaneously consider what types of training would be appropriate for the applicants and whether these "slots" are available. In addition, they frequently arrange specific training opportunities and then look for

persons who meet the requirements of these training positions.

Implicit in these processes are the influences of funding constraints and performance standards. Studies examining the effects of declining employment and training resources on the types of services made available and on who is selected to fill training positions have shown that with fewer resources, SDAs are more likely to allocate resources to less expensive, shorter-term types of training and to avoid serving those who require more intensive services to become job-ready.

I found that corresponding to the decline in funding for JTPA programs in the 1990s, there was a noticeable shift toward less-expensive services (e.g., job search assistance and job club activities). I tested three possible hypotheses about these shifts toward the provision of less-expensive services: (1) Are these services more effective in raising *measured program performance*? (2) Do these services generate larger earnings gains for participants? and (3) Are the ratios of benefits to costs higher for these services, i.e., are they more cost-effective?

My analyses of all of this SDA's participant records showed that the shift toward the provision of less-expensive services was *not* consistent with raising measured performance, increasing earnings impacts, or improving the programs' cost-effectiveness. I also found that this shift in funding allocations likely had implications for *who* gets served as well.

For example, as service providers increase the number of job search assistance positions in their programs, intake staff are required to recruit more individuals suitable to job search assistance activities. While one of the most consistent findings in the analyses of participant selection decisions was the negative influence of years of schooling completed on the probability of participant selection, multinomial logit analyses of the service assignment decisions showed that the number of years of schooling completed was positively related to assignment to job search assistance. Therefore, given a specific and growing number of job search assistance training slots they are required to fill, intake staff may be impelled to select more individuals with higher education levels to participate.

The multinomial logit analyses also showed that persons with basic skills deficiencies were significantly more likely to be assigned to remedial education services, a more expensive type of training. As fewer remedial education "slots" are made available, persons with basic skill deficiencies are less likely to be recruited. Since participants with basic skills deficiencies were also significantly less likely to be

assigned to vocational training, on-the-job training, and job search assistance, the more disadvantaged participants, (i.e., those with basic skills deficiencies), might not have access to the full range of training services if remedial education services are not made available.

Overall, my findings suggested that both direct creaming on observed applicant characteristics and indirect creaming due to other factors influencing local-level administrative decisions were probably occurring in this SDA. The strong emphasis on placement rates in SDA-level contracts and the contractor performance evaluation system seemed to inevitably pervade intake staff participant selection decisions. In addition, other factors affecting program administration and service delivery decisions exacerbated the pressures generated by performance standards. These factors included: (1) scarce and declining budgetary resources (relative to a large job-training-eligible population), (2) cost constraints in SDA-level service provider contracts that limited the availability of different program activities, (3) the absence of performance adjustments for services to more disadvantaged eligibles in these contracts, and (4) minimum capabilities and credentials required of participants to enter or achieve success in specific types of training activities.

The Demonstration Program Evaluation

SDA officials were motivated by new federal policy directives and political concerns to expand services to highly disadvantaged job-training eligibles. I worked with them in designing and evaluating a demonstration program to serve more "hard-core" clients and provide them with "holistic" job-training and supportive services. The demonstration program targeted an economically depressed community that had the lowest per capita income of any suburb in the United States in 1990. Since it operated under very tight budget constraints, some viewed the demonstration program as a test of whether the SDA could more effectively address equity goals without compromising performance and efficiency.

I addressed two main questions in this evaluation: (1) Did a more disadvantaged group apply for and receive job-training services through the demonstration program than under the standard JTPA Title 2A program approach? and (2) How did the post-program outcomes and net program impact of demonstration program participants compare to what they would have been under the standard JTPA program approach? I distinguished between *program outcomes*, measured by the SDA at the time of a participant's termination, and *program impacts*, which I estimated using pre- and

post-program employment and earnings data. I used a nonexperimental, comparative approach to evaluate the differential impact of the demonstration program relative to standard JTPA programs.

Evaluation Findings

I found that the demonstration program fulfilled its goal to recruit and serve a more disadvantaged group of job-training eligibles. The demonstration program participants experienced longer-term unemployment prior to their enrollment, and significantly more enrolled with basic skills deficiencies and limited work histories and were single heads-of-households and welfare recipients.

Despite their disadvantages, demonstration program participants fared better than their JTPA program counterparts *at termination*. The demonstration program participants achieved significantly higher wage and earnings outcomes *at termination* than members of the JTPA comparison group.

A more important objective of the evaluation was to determine if the program had a *lasting, differential impact* on participants' earnings that could be attributed to its holistic service approach. A comparison of rates of service receipt for demonstration program participants and JTPA Title 2A adults in this SDA indicated that more services were provided through the demonstration program.

I used the change in participants' earnings from pre-enrollment to post-termination periods to evaluate the demonstration program's differential impact relative to standard JTPA program services. The post-program earnings data revealed a large number of transitions into and out of employment made by both demonstration program participants and JTPA comparison group members during the first post-program year. Approximately 71 percent of the demonstration program participants and over 63 percent of the comparison group members experienced an employment transition during this period.

These employment transitions, particularly the job losses, had demonstrable implications for estimated program impacts. Multiple regression analyses, (controlling for participants' demographic characteristics, the types of training received, and service provider characteristics), showed a positive but statistically insignificant differential earnings impact of the program, prohibiting definite conclusions about its effectiveness relative to the SDA's standard service approach. Other findings showed that while persons receiving job search assistance were more likely to be employed at termination, they were also more likely to lose their jobs. Receipt of job search assistance (relative to other types of training) was negatively related to

earnings gains. If more participants had succeeded in retaining their jobs, it is likely that a *significant, positive differential impact* would have been observed.

A goal of this program evaluation was not only to obtain measures of the demonstration program's outcomes and impacts but also to study the program's administrative and service delivery processes. Through this study, I found that an important contributing factor to the demonstration program's successful *termination outcomes* was the provision of intensive case-management and supportive services, i.e., services much beyond the state-required once-per-month meeting. Geographical targeting made these intensive services possible, and in general, the "holistic" service approach involving customized training for participants.

I also gained insight into why the demonstration program failed to foster better employment retention rates and generate larger earnings impacts among its participants. Most job-training programs focus entirely on preparing individuals for employment and placing them in a job, with little or no follow-up services once this endpoint is reached. The absence of employment counseling and other supportive services during the sometimes shaky post-program period makes job losses more likely and exacerbates the difficulties frequently experienced in regaining employment. Without these additional supports, it is not surprising that the demonstration program group did more poorly than their JTPA counterparts in the post-program period. More demonstration program participants had limited work histories and were long-term unemployed -- key barriers to both acquiring and retaining employment.

While the demonstration program counselors maintained contact with a few program participants following their termination, the majority of these participants were "on their own" once they were discharged from the program. No program monies were available for follow-up services and no administrative or contract incentives were devised to specifically focus attention and resources on the goal of employment retention. This SDA continues to focus mainly on job placement rates and costs per placement in guiding program administration decisions, evaluating service provider performance, and making contract award decisions.

These findings bear an important lesson for the design of administrative incentives in social programs. While no performance requirements were included in the demonstration program contract and SDA officials publicly emphasized the program goal of employment retention, the main, underlying performance incentives which guide administrative decisions of service providers in this SDA remained unchanged.

Demonstration program administrators were irrevocably concerned with achieving a high placement rate and maintaining reasonable program costs.

Policy Recommendations

My research suggested that performance standards may be effective management tools, as local managers are responsive to the incentives they generate. When performance standards are not carefully aligned with program goals, however, unintended outcomes may result.

I recommended that the JTPA program performance standards system be redesigned *at all organizational levels*, away from the continuing focus on gross, placement-oriented outcomes to an explicit orientation toward the long-term goals of employment retention and economic self-sufficiency for program participants. JTPA performance standards should be based on measures that calculate participants' changes in earnings from pre-program quarters to post-program quarters, similar to those I constructed in the demonstration program evaluation. These changes

would also encourage services to program eligibles with weaker employment histories, a group that is presently viewed as risky and costly to serve. For most states and SDAs, the data needed to compute these measures is readily accessible.

Federal-, state- and local-level administrative policies should also encourage expenditures of program funds on follow-up, case-management services to participants during the year following their placement into jobs. For disadvantaged groups, the struggle for economic self-sufficiency is a long-term process. If JTPA programs are going to be more effective in serving their target group, (of whom 90 percent are, by law, supposed to be disadvantaged), then administrative incentives must encourage the provision of follow-up services designed to foster job retention.

References

Blau, Peter M. 1955. *The Dynamics of Bureaucracy: A Study of Interpersonal Relations in Two Government Agencies*. Chicago: University of Chicago Press.