EXECUTIVE SUMMARY

This report has been prepared as part of a contract awarded by the U.S. Department of Labor (DOL) to conduct an Evaluation of the Individual Training Account/Eligible (ITA/ETP) Training Provider Demonstration. This summary reflects the findings reported in the Interim Report for the evaluation; as such, it describes early progress made by the demonstration grantees in establishing their ITA/ETP systems, based on site visits we made to each of them during the summer and fall of 2000.

BACKGROUND

The Workforce Investment Act (WIA) of 1998 brought about substantial changes in services provided to persons seeking employment and training assistance. An important element of WIA is the requirement that training services be provided, with certain limited exceptions, through individual training accounts (ITAs), which can be thought of as a voucher that customers can use to pay for training of their choice, so long as the training program is on an approved list (the eligible training provider list) and meets minimum standards of performance. To help customers make prudent training choices, information about the eligible programs approved by the state (e.g., costs of the training, its duration, and the employment and other outcomes achieved by prior cohorts of trainees, among other things) is to be assembled in a consumer report system (CRS) maintained by the state and distributed throughout the state's One-Stop system. The establishment of ITAs is intended to empower customers, while promoting accountability among states, local areas, and service providers in meeting customers' needs.

In the summer of 1999, DOL issued a Solicitation for Grant Applications (SGA) for the Individual Training Account/Eligible Training Provider (ITA/ETP) Demonstration. This announcement emphasized that DOL was interested in identifying "a national group of vanguard sites" who were committed to implementing ITAs and establishing an eligible training provider list that was consistent with WIA and "informed by best practice and insight from the field." Chief goals of the demonstration include support for system-building at the state and local levels, rigorous testing of several key models or approaches to the establishment of an eligible training provider process and ITA payment system, identification of key components of effective ITA implementation, and the development of a learning network for information sharing, both across demonstration sites and to the larger employment and training system. Each grantee was

to receive an amount not in excess of $500,000, for a grant period that was to last 18 months.

In March of 2000, DOL announced that it had selected thirteen grantees to participate in the demonstration project. Six of these grantees are local workforce investment areas (LWIAs) that applied individually or on behalf of neighboring local areas. The other seven grantees are states. Of these seven states, four are collaborating with some subset of the state's LWIAs, while the other three states are developing statewide systems and strategies.

The evaluation of the ITA/ETP Demonstration, being undertaken by Mathematica Policy Research (MPR) and Social Policy Research Associates (SPR), consists of a process study that entails two rounds of multi-day site visits to each of the thirteen grantees. Each site visit entails interviews at both the state and local levels, regardless of whether the grantee was itself a state or local area. The Interim Report for the evaluation, on which this summary is based, draws on the first round of site visits, which occurred in late summer and fall of 2000. Data collection will continue during the summer and fall of 2001, when each grantee will be visited a second time. At that time, we expect that service designs and ITA/ETP systems would have matured substantially.

CONTEXT FOR THE DEMONSTRATION

Site visits to study the ITA/ETP demonstration grantees were conducted at a time when many of them were still developing key aspects of their systems. Moreover, for a variety of reasons—including fears of funding shortfalls, a strong economy that makes job placements relatively easy to obtain, One-Stop centers' apprehension of authorizing training unless it was absolutely necessary, and the need to have customers go through core and intensive services before training could be offered—in some sites no more than a dozen customers had been issued an ITA, out of hundreds of WIA adult and dislocated worker enrollees. Clearly, the systems we saw were for the most part very much a work in progress. At the same time, all sites had made substantial progress, both in developing policies to serve customers with an ITA and in establishing an eligible provider list and consumer report system.

Their progress was facilitated because most were not starting their ITA system development from scratch when the ITA/ETP demonstration grants were awarded. In fact, almost all had moved sharply away from the exclusive use of contracted training in the waning years of JTPA and towards individual referral methods, and over one-half of

them claimed previous experience with using vouchers for training, either as a grantee under the former Career Management Account demonstration or as part of some other pilot program. One-Stop implementation grants that they had received from DOL during the mid- to late-1990s also helped them establish the infrastructure that they needed to serve adult and dislocated worker customers in a WIA framework.

Building on this framework, the grantees were using their demonstration funding in very different ways, which reflected the nature and extent of their prior progress. Their grant objectives ranged from the very broad (e.g., develop ITA policies, build a consumer report system) to the quite specific (e.g., develop a code of ethics for vendors). In general, grantees that specified broader goals were not as far along in ITA/ETP system development at the time their grant proposals were prepared. By contrast, those that specified narrower goals had many elements of their systems already in place and were looking to enhance or refine them in some way.

Grant objectives can also be categorized with respect to their major area of focus. The most common cluster of objectives related to efforts to build electronic consumer report systems. Capacity building was another key objective, but the specifics varied. One grantee wanted to hire counseling experts to work with participants and coach case managers; another wanted to develop a curriculum for a peer-managed workshop; others wanted to develop and deliver training workshops for staff or develop computer modules that staff could access as a resource. The third largest category of grant objectives related to developing or testing ITA policies; for example, one grantee was trying to facilitate coordination and joint policy development with adjacent LWIAs. Finally, some grantees were using their grant funds to develop fiscal or tracking software or to automate the training provider application process.

CUSTOMERS' USE OF ITAS

All of the grantees had embraced the ITA model for providing training services and generally seemed enthusiastic about its possibilities for empowering customers. In fact, nearly all of them were planning on using ITAs for training adults and dislocated workers almost exclusively; only two expected to make regular use of contracted training for meeting the needs of special populations. However, several expected a sharp drop-off in the number of persons they would fund for training each year, citing what they felt was WIA's "work first" emphasis and funding limitations caused by their needing to expend resources on developing their core and intensive service strategies.

Regardless of the customer volume that they anticipated, sites needed to develop policies to guide the way that customers move through core and intensive services, because only those who have received at least one service at each of these two service levels, without having their employment goals met, are eligible for training. The case-study sites varied quite a bit with respect to the policies and procedures that they established for this purpose. Some noted that customers whom the case manager felt could obviously benefit from training were moved through core and intensive services quite quickly. Other sites had more stringent requirements before customers could move through to training—for example, by having case managers exhaust all reasonable possibilities that the customer might have transferable skills and/or requiring that customers spend at least several weeks in core and intensive services engaging in job search before training would be considered.

Another key difference across sites related to how intensive services were used as a prelude to training. Some sites felt that they could quickly (in core services) identify those who would need training services to meet their employment goals. Such individuals were placed in intensive services with the full expectation that they would shortly undertake training, so intensive services were focused on helping customers develop and refine their career and training plans. Other sites felt that intensive services represented another opportunity to identify transferable skills and improve job search strategies that might obviate the need for training altogether.

Despite these different general tendencies from one local area to the next, however, all the demonstration sites emphasized that guidelines were not meant to be followed rigidly and that they adopted a flexible approach to meeting customers' needs. It seems, then, that a key tenet of WIA that services should be customer driven and based on the individual's own needs appears to have been followed.

The customer focus is evident as well in the process that sites use to help customers make training choices. We identified three models that sites use under various circumstances. These are informed choice, which occupies a broad middle ground, and, at either extreme, directed choice and free choice. According to the informed choice model, One-Stop centers ensure that those authorized for training receive ample information, guidance, and assistance, so that they can make prudent choices with respect to the occupation for which they want to be trained and the vendor who will provide it. This was by far the predominant mode in the sites we visited. Operationally, it meant that customers would be required to undertake a comprehensive assessment of their skills

and abilities, and engage in labor market and other research, before an ITA would be issued. Front-line staff play a key role in serving as "guides" or "facilitators," striking what seemed to be an appropriate balance between lending the benefit of their expertise while not being overly directive.

A key element that made the informed choice approach feasible was that assessment and research were required parts of the decision-making process. In addition to having participants undertake a comprehensive assessment and engage in labor market research, which were everywhere required, some sites required participants to conduct field research, such as by visiting several vendors and interviewing former trainees and employers who hire in the career area in which the participant wants to undertake training. Other sites required that customers attend workshops that are either given by case managers or are peer-managed. Sometimes also customers needed to submit a formal application, in which they identify the training field and vendor they have chosen and justify their decision on the basis of assessment results and the research they have conducted. As a consequence of following these steps to having their ITAs approved, customers would come to identify appropriate training choices on their own.

By contrast, a "directed choice" approach was characterized by the case managers' playing a much more directive role. Only one site used this model predominantly, although others would use it under special circumstances, as when customers seemed unable to make sense of their assessment results or were reluctant to make judgements based on the research they had conducted. In these instances, case managers could be quite emphatic in steering customers to the choices that the case manager thought best.

Finally, the third approach, a "free choice" model, was also used sparingly. According to this strategy, case managers would essentially give customers free reign to make training choices, so long as the training field was for an occupation in demand and the vendor appeared on the ETP list. No site used this approach predominantly. However, customers who knew exactly what training they wanted to undertake before entering the One-Stop center, and who could justify their choice, often had their request honored with little difficulty.

Given the predominance of the informed choice model, our interviews and observations lead us to the conclusion that customers are effectively the decision-makers almost always. However, their choice is subject to certain limitations established by state and local policy. For example, in keeping with the WIA legislation, training can only be

funded if it is for an occupation in demand. Some local areas met this requirement by drawing on lists developed by the state's labor market information research unit. Other sites used locally-developed lists, and a few had no formal lists but instead relied on the judgement of the case managers. Typically, where there were such lists, exceptions could be made so long as a prospective trainee could present evidence that a job would be available once training was complete; however, a few local areas allowed no exceptions whatsoever.

Other restrictions related to dollar or time limits. Nearly all of the sites set a dollar cap on the amount of the ITA that would be funded, but these varied widely across sites, from a low of $1,700 to a high of $10,000. Tuition and fees, as well as books, uniform, and equipment would normally be funded by the ITA, and supportive services would be provided from a separate pot of money. In keeping with WIA, trainees were typically expected to apply for a Pell grant, and amounts they received from that source were often applied to the cost of the training, with the ITA paying any balance due. Nearly all sites also had time limits on the duration of training that they would support, which they usually set at two years. Overwhelmingly, both dollar and time limits were imposed by local areas; although they were allowed to impose limits of their own, states generally felt that these decisions should be left as a local prerogative.

Even with these limits, sites could be investing a substantial amount on each trainee. For that reason, and also because performance accountability is so central to WIA, sites had an interest in doing what they could to ensure that their ITA holders completed the training and obtained a well-paying job afterwards. Thus, all sites made provisions for keeping abreast of the trainee's progress and attempted to address problems as they arose. Some sites were more proactive than others were, but virtually all maintained at least monthly contact with WIA participants in training.

Given that their performance is publicly displayed as part of the consumer report system, vendors also have a clear stake in the trainee's success, and thus they too played a part in monitoring the participant's progress. Along these lines, proprietary schools—at least those that we visited as part of this study—seemed very attentive to students' needs for extra assistance, and were aggressive in helping their students find jobs once the training was completed. By contrast, although community colleges offered counseling and placement services, they were typically less proactive in their approach.

DEVELOPING THE ETP LIST AND CONSUMER REPORT SYSTEM

A key element of the training system envisioned by WIA is for there to be clear accountability and strong information systems to support customer choice. The eligible training provider (ETP) list and consumer report system (CRS) constitute essential tools for these purposes. Developing the ETP list and consumer report system proved to be extraordinarily resource intensive.

A key issue that states grappled with as they assembled the CRS was deciding whether only ITA-approved vendors should be included or whether it should include non-ITA approved vendors as well. About half of the states adopted each approach. Those that were developing a restricted consumer report system emphasized the primary objective of supporting training customers in selecting a vendor; those that opted for the broader approach were giving emphasis to developing a resource for the universal customer in core services and making the broadest possible use of the resource they were developing. Using different logic, both also saw their approach as serving as an inducement for vendors to seek ITA eligibility.

Regardless of the approach they took, sites were generally eager to widely publicize the ETP application process and have as many vendors apply for eligibility as possible. In some cases, states took the lead role, such as by sending an ETP application packet to all state-certified training vendors in the state. In other states, local areas took the lead role, such as by communicating with their former JTPA providers or holding informational sessions in the community. Most states attempted to automate the application process, both to make it easier for vendors to apply and also to expedite the state's and local areas' roles in processing applications and entering the data into an electronic ETP listing. Those states without an electronic application found the process substantially more burdensome.

Only two states set performance requirements for initial eligibility. The others dispensed with such requirements, because they felt ill equipped to make decisions regarding performance benchmarks at such an early stage. In general, vendors were not even required to submit performance data as part of their initial application. States felt that doing otherwise would impose a substantial burden on vendors that they were not yet prepared to meet.

In keeping with the legislation, the approval process for initial eligibility basically worked the same way in all the sites we visited—local areas would first review the applications, make a judgement of whether the application should be approved, and then

pass the application on to the state, along with the local area's recommendation, for final disposition. The one difference was that some states had vendors submit their applications directly to the local areas, while other states had vendors submit their applications to a central state clearinghouse, which then forwarded the applications to the local areas for their review. The latter approach was viewed as easier for vendors, who would need to submit just one application for each of its programs rather than multiple applications to multiple local areas throughout the state; it also standardized the application process somewhat.

Regardless, a concern that local areas expressed was having a vendor's application for eligibility denied by one local area but approved by an adjacent one. Given that ITA holders can hypothetically choose any vendor on the state list, presumably a trainee could thus select a vendor that the local area funding the ITA had disapproved. Several of the case-study sites were attempting to develop a regional approach to ETP review to eliminate this possibility. The case managers in another site admitted that they could not envision authorizing an ITA if the customer had selected a vendor that the local area had not approved, except under exceptional circumstances.

Another concern was that many states anticipated a sharp drop in the number of vendors who were approved once subsequent eligibility began. As mentioned, only two states imposed performance requirements for initial eligibility, deliberately with the thought that they wanted as many vendors to apply as possible. Similarly, few reporting requirements were imposed, beyond asking the vendors to provide basic information about each of their programs, such as the duration of training and its costs. But, for subsequent eligibility, vendors must be prepared to begin submitting performance information about their programs, relating to the completion rates and employment outcomes of trainees, including those that were WIA funded and others. Many vendors, especially community colleges, have balked at these requirements. They viewed the time and effort necessary to assemble the necessary information as not worth the trouble, given that they anticipate serving relatively few WIA-funded trainees. As open-enrollment institutions serving diverse community needs, some community colleges also feel that their measured performance could misrepresent their actual success, given that some of their non-ITA enrollees might lack adequate preparation for training or others might not have employment objectives in mind.

Another reason why the ETP list under subsequent eligibility might be appreciably smaller than the initial list is that all states will presumably impose required performance

benchmarks for subsequent eligibility, while only two states did so for initial eligibility. Few states had made much progress in establishing guidelines for subsequent eligibility. All were grappling with where to strike the balance between setting the minimum requirements high enough to reflect their high expectations, while not setting them so high as to exclude so many vendors that participant choice is seriously compromised.

Definitional issues were also presenting serious conceptual hurdles. For example, even at the point of initial eligibility states needed to make clear what would constitute a "program" for purposes of the ETP list. Thereafter, as they attempted to measure performance for subsequent eligibility, they needed to decide how key terms would be defined, such as who counts as enrolled and what constitutes a completion. Given the fact that many community college enrollees may take variable sequences of courses with different employment and other objectives in mind, states were generally allowing vendors to self-define programs and some were counting as enrollees only those who declared their intention to complete the entire sequence of courses that made up the program, with employment as the intended objective.

Amassing the data to measure performance, however the measures were defined, also will prove challenging. In keeping with WIA requirements, states were planning on relying heavily on using Unemployment Insurance wage records for measuring outcomes that were employment related. Thus, vendors would forward the social security numbers of enrollees to the relevant state entity, who would then conduct the UI matching on the vendors' behalf. This approach seemed to make the most sense from the standpoint of ensuring completeness, reliability, and comparability. However, the mechanics of this process were generally still being worked out.

In contrast to employment outcomes, where the states will bear most of the burden in data collection on the vendors' behalf, most states are expecting vendors to supply data on their programs' completion rates. One state, however, has agreed to compute even these rates for vendors, if the vendors will forward to the state the vendors' enrollment database.

Because of the complications that needed to be resolved, at the time of our site visits only a few states' systems had any information about vendors' performance. Clearly, much work remains to be accomplished for the consumer report systems to fulfill their function of providing an important resource to guide customer choice.

VENDORS' REACTION

In the local areas we studied nearly all training vendors certified as eligible for ETP purposes are either community colleges or proprietary schools. These two types of institutions have very different missions and define themselves very differently. The former have traditionally filled an important role in providing training under JTPA, because of the breadth of their offerings and generally low tuition, and it is expected that they will be similarly important under WIA. However, many are balking at the eligibility requirements that WIA imposes, especially the need to submit performance information about their programs. In their view, the low volume of ITA-funded trainees that they can anticipate does not warrant the time and expense that such a requirement would entail. They also fear that their performance would be inaccurately characterized, given the mix of customers that many of them serve.

By contrast, the proprietary schools whose representatives we met characterized themselves as being active in the marketplace and highly performance driven. For their own purposes, or to meet other state or federal certification requirements, these schools had been accustomed to collecting and reporting performance data and saw no difficulty with doing so for ETP purposes. They were also highly adaptable and flexible, modifying course content, starting times, and training durations to better appeal to potential trainees.

Community-based institutions constitute a third group of potential vendors. While we did not visit with any community-based organizations that provide ITA training, Local Board and One-Stop staff noted that many of these organizations provided training to economically disadvantaged adults under JTPA, but are less likely to be successful under an ITA system because of their traditionally narrow customer base. Further, they are usually thinly capitalized and are likely to have difficulty coping with an irregular flow of ITA students.

PRELIMINARY CONCLUSIONS

The full ITA and consumer report systems envisioned by WIA were still very much under development at the time our site visits occurred. Our upcoming second round of site visits, to be conducted in the summer and fall of 2001, will thus offer the important opportunity to view these systems as they have evolved. At this point, however, some preliminary conclusions can be drawn.

1. State and local-area flexibility seems to be embedded in the systems that are developing. Thus, although there are obvious broad similarities in the systems

that are developing, states and local areas are making unique decisions regarding key features of ITA policies.

2. That flexibility, although clearly embraced by states and local areas as a good thing, is causing some confusion and uncertainty at this early stage. Thus, some local areas are unsure exactly what their policies and systems should look like. In light of this uncertainty, more peer-to-peer exchanges would be highly valued, so that sites could share ideas and examples.

3. Overall, there is likely to be a substantial drop-off in the number of persons entering training, at least in WIA's first full year of implementation. This drop-off will come about for a variety of reasons, including a strong economy that has made job opportunities plentiful, competing priorities for using scarce WIA funds, and case managers' reluctance to authorize training unless it is absolutely necessary.

4. Sites are maintaining a strong customer focus in the way they approach WIA's three service levels. Despite the reluctance in some cases to authorize training unless it is absolutely necessary, in general we observed that sites are highly flexible in their approach to customer services. Thus, although sites have guidelines for how customers should move through the service levels, it was apparent that those guidelines were not meant to be followed rigidly and that customers' obvious needs were taking precedence.

5. Customer choice, informed by good information, is clearly apparent in the way that sites are working with customers to help them select training programs and vendors. At the same time, this choice is structured within a framework that requires that customers undertake a careful assessment of their skills and abilities and conduct extensive labor market and other research. To this degree, customers are making choices only after being exposed to a range of good information.

6. Front-line staff are generally playing roles that support informed choice. In most local areas that we visited, case managers were playing the role of "facilitators," and were lending the benefit of their expertise without being overly directive. To this degree, customer empowerment was being promoted. Given that many sites had moved away from contract training in JTPA's waning years, and, in some cases, had previous experience with vouchers, case managers often felt that operating under an ITA system was not that much different from what they were accustomed to.

7. The underdeveloped state of most consumer report systems has meant that concrete and comparable information on vendor performance has not been one of the sources that most customers have been using in making their training decisions. Moreover, given the difficulties that lie ahead, with respect to data collection and data management, it will likely be some time before consumer report systems are reasonably populated with information about vendors' performance.

8. Incentives for community colleges to participate in the ETP system need to be established. Proprietary schools as a whole have been very agreeable to the requirements that the eligibility process entails. Community colleges, by contrast, view these requirements as not worth the effort, given the few ITA customers that they anticipate serving, and their focus as educational institutions. Given the important role that these institutions play in giving ITA holders meaningful choice, sites need to develop strategies to keep community colleges as active players in the training marketplace.

9. The ITA/ETP process is presenting substantial challenges to training vendors that relied heavily on workforce development funding under JTPA. Reliant for so long on contract training for serving special populations, these organizations are finding that their customer flow has been gravely interrupted since the enactment of WIA. This challenge has fallen especially heavily on community-based organizations. Without an alternative customer base, many of these institutions are facing insolvency. Their absence will represent a substantial loss to their communities.

10. Processing vendors' applications and developing the consumer report system are extraordinarily difficult and resource-intensive undertakings. In light of this, several grantees noted how fortunate they consider themselves to be in having been selected to participate in this demonstration, as it has provided them with access to special funds for system development that otherwise would have needed to come from their regular WIA formula allocation. This observation speaks to the difficulty that non-grantee states may be encountering with system development, and also for the need for states and local areas to develop systems that, once developed, can be sustained at minimal cost.