

ALABAMA WORKFORCE INVESTMENT SYSTEM

**Alabama Department of Economic and Community Affairs
Workforce Development Division
401 Adams Avenue
Post Office Box 5690
Montgomery, Alabama 36103-5690**

April 19, 2012

GOVERNOR'S WORKFORCE DEVELOPMENT DIRECTIVE NO. PY 2011 – 21

SUBJECT: Training and Employment Guidance Letter (TEGL)

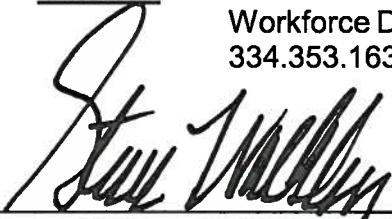
1. **Purpose.** This transmits the following TEGL:

<u>Number</u>	<u>Date</u>	<u>Subject</u>
37-11	04/11/12	New Research Report: Improving the Effectiveness of Individual Training Accounts: Long Term Findings from an Experimental Evaluation of Three Service Delivery Models

2. **Discussion.** The purpose of TEGL No.37-11 is to the release and availability of a new Employment and Training Administration (ETA) research report entitled: Improving the Effectiveness of Individual Training Accounts: Long Term Findings from an Experimental Evaluation of Three Service Delivery Models.

3. **Action.** TEGL No. 37-11 is attached for informational purposes.

4. **Contact.** Questions regarding this TEGL should be directed to Sara Calhoun, Workforce Development Division at Sara.Calhoun@ADECA.Alabama.gov or 334.353.1632.



Steve Walkley, Division Chief
ADECA, Workforce Development Division

Attachment: TEGL 37-11

TRAINING AND EMPLOYMENT NOTICE	NO. 37-11
	DATE April 11, 2012

TO: COMPREHENSIVE ONE-STOPS
DOL ETA REGIONAL ADMINISTRATORS
STATE WIA LIAISONS
STATE WORKFORCE ADMINISTRATORS
STATE WORKFORCE ADMIN WIA
WIB LOCAL CHAIRS
WIB STATE CHAIRS
WIB STATE EXECUTIVE DIRECTORS
WIB LOCAL EXECUTIVE DIRECTORS

FROM: JANE OATES /s/
Assistant Secretary

SUBJECT: New Research Report: *Improving the Effectiveness of Individual Training Accounts: Long Term Findings from an Experimental Evaluation of Three Service Delivery Models*

1. Purpose. To announce the release and availability of a new Employment and Training Administration (ETA) research report entitled: *Improving the Effectiveness of Individual Training Accounts: Long Term Findings from an Experimental Evaluation of Three Service Delivery Models*.

2. Background. This report presents long-term findings from an experimental evaluation of the effectiveness of three different models for delivering individual training account (ITA) services. It builds on findings from an earlier evaluation of the ITA Experiment, which consists of an implementation analysis, short-term (15 months) impact analysis, and benefit-cost analysis. The interim and final reports to the earlier study are posted on the ETA research publications Web site.¹ This current evaluation report updates the impact and benefit-cost analysis by examining how customers fared six to eight years after their program enrollment.

The impact analysis utilizes individual-level data from a participant tracking system, follow-up surveys, and administrative data on employment and wages. The benefit-cost analysis is based on the impact estimates and measured the benefit or cost of switching from one ITA model to another. The benefits and costs are examined from the perspective of the customer, government, and society as a whole.

¹ *The Effects of Customer Choice: First Findings from the Individual Training Account Experiment* (Perez-Johnson et al. 2004). See http://wdr.doleta.gov/research/FullText_Documents/2005_03_ita.pdf
Managing Customers' Training Choices: Findings From The Individual Training Account Experiment (McConnell et al. 2006). See http://wdr.doleta.gov/research/FullText_Documents/managing_customers_choices.pdf

3. Publication Description. The Workforce Investment Act provides flexibility to states and local areas in making decisions on setting the amount of ITAs, and how much guidance and direction counselors provide to customers in making their training decisions. The evaluation provides Federal, state, and local policymakers, administrators, and program managers with evidence-based information about how different ITA service delivery models can affect customers' participation in counseling; their use of ITAs; training outcomes (including the types of occupations that customers chose, training providers selected, and program completion); and their employment, earnings, job characteristics, receipt of public assistance, and household income.

The three ITA service delivery models that were tested for this study varied along the following dimensions: 1) the ITA amount, and whether it was fixed for all customers or tailored to the customer's needs; 2) required counseling, and whether ITA counseling was mandatory or optional; and 3) program approval, and whether counselors could reject customers' training choices and ultimately deny an ITA, or approve their choices if the customer had completed his or her ITA requirements.

The ITA models tested were:

- ***Guided Choice.*** This model provided a fixed cap on ITA funds for individual customers and offered some counseling to support clients as they developed their training plans. Most workforce agencies use a model similar to Guided Choice. For the study, the average ITA cap was \$3,500, and the average amount awarded was \$2,861.
- ***Structured Choice.*** Compared to Guided Choice, this model offered more extensive support from training counselors and a more generous cap on ITA funds customized to the individual needs of the customer. The average ITA cap was \$7,625, and the average amount awarded was \$4,625.
- ***Maximum Choice.*** Compared to Guided Choice, this model required no counseling after eligibility for training was established and provided a similar ITA cap amount. The average ITA cap was \$3,500, and the average amount awarded was \$2,888.

4. Key Research Findings. Highlights of key findings include the following:

- ***Employment rates were similar for customers across all three models.*** Guided Choice, Structured Choice, and Maximum Choice customers were all employed for about four-fifths of the final eight quarters of the follow-up period.
- ***Structured Choice customers were significantly more likely to have been employed in the occupation for which they trained.*** In the late follow-up period, about one-third of Structured Choice customers were employed in an occupation for which they received training, compared to about one-quarter of Guided Choice and Maximum Choice customers.
- ***Structured Choice customers spent more time in high-wage jobs, which translated into higher earnings than those of Guided Choice customers.*** During the final two years of the follow-up, Structured Choice customers spent 24 percent of their quarters in high-wage jobs

and earned about \$7,200 per quarter, a difference of over \$500 per quarter more than Guided Choice customers.

- ***Society and customers would benefit greatly by switching from the predominant Guided Choice model toward Structured Choice.*** The study concluded that switching to Structured Choice could generate a social net benefit of \$46,000 per eligible customer, resulting from increased productivity and earnings over approximately 20 years (until retirement). The study also found that such a switch would not need to be costly to the government as a whole, although it could increase costs for the public workforce system.
- ***The benefits of switching to Structured Choice appear to have stemmed mainly from the higher-value, customized ITA awards possible under this model.*** Under Structured Choice, the study tested *the combination* of counselor guidance together with higher, customized training caps. Although counseling was similar under Structured Choice and Guided Choice, it is not possible to know the extent to which customers' training choices and their outcomes were influenced by counselor-customer interactions versus the higher training cap.
- ***Take-up of ITAs would be higher when switching from Guided Choice to Maximum Choice, but both models yield similar benefits and costs for customers, the government, and society as a whole.*** The additional costs from more ITAs being awarded would be partially offset by customers using less counseling. There was no strong evidence that customers, the government, or society would benefit from making this switch.

5. **Inquiries.** To view an abstract of this publication as well as to download the full report, visit the ETA Research Publication Database Web site at:
<http://wdr.doleta.gov/research/keyword.cfm>.