Using Vouchers in Government Training Programs: Findings from the Individual Training Account (ITA) Experiment

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Overview

● ITAs: vouchers to purchase occupational training from approved providers

● Test experimentally three approaches to administering ITAs

● Estimate impacts on:
  – Counseling
  – Take-up of ITA training
  – Training expenditures
  – Training program choice
Policy Background

- Trend toward promoting choice and competition
- WIA mandated use of ITAs
- Approach to administering ITAs left to local policymakers
Why Use ITAs?

- Promotes efficiency:
  - Informed customers max utility
  - Producers compete

- Efficiency gains assume:
  - Informed customers
  - Max individual utility leads to max social welfare
ITA Design

- How ITA are administered depends on reality of assumptions

- If customers are uninformed: Require counseling

- If individual’s max utility does not max social welfare: Restrict choices
## Approaches Tested

<table>
<thead>
<tr>
<th></th>
<th>Approach 1: Structured Choice</th>
<th>Approach 2: Guided Choice</th>
<th>Approach 3: Maximum Choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counseling</td>
<td>Mandatory; most intensive</td>
<td>Mandatory; moderate intensity</td>
<td>Voluntary</td>
</tr>
<tr>
<td>Can Counselors Reject Choices?</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Award Amount</td>
<td>Customized</td>
<td>Fixed cap</td>
<td>Fixed cap</td>
</tr>
</tbody>
</table>
Evaluation Design

- Three approaches tested side-by-side in 8 sites
- Customers randomly assigned to approaches
- Information collected on nearly 8,000 customers
Drop Off is Less When Counseling is Not Required

Participated in ITA Orientation

- **A1: Structured Choice**
- **A2: Guided Choice**
- **A3: Maximum Choice**

*** Difference relative to A2 is statistically significant at 0.01 confidence level
When Counseling is Voluntary, Customers Rarely Request It

Participated in Counseling Beyond ITA Orientation

- A1: Structured Choice
- A2: Guided Choice
- A3: Maximum Choice

*** Difference relative to A2 is statistically significant at 0.01 confidence level
Counseling Requirements Discourage Participation in ITA Training

Secured ITA Program Approval

- A1: Structured Choice
- A2: Guided Choice
- A3: Maximum Choice

*** Difference relative to A2 is statistically significant at 0.01 confidence level
## Training Expenditures Highest Under Approach 1, Lowest Under Approach 2

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Average price of selected programs</strong></td>
<td>$4,764***</td>
<td>$3,116</td>
<td>$3,133</td>
</tr>
<tr>
<td><strong>Average ITA expenditures per trainee</strong></td>
<td>$4,731***</td>
<td>$2,849</td>
<td>$2,847</td>
</tr>
<tr>
<td><strong>Training rate (percentage)</strong></td>
<td>59</td>
<td>58</td>
<td>65***</td>
</tr>
<tr>
<td><strong>Average training cost per ITA customer</strong></td>
<td>$2,791***</td>
<td>$1,641</td>
<td>$1,853***</td>
</tr>
</tbody>
</table>

**NOTE:** Cost estimates do not include WIA administrative costs or cost of ITA counseling.

*** Difference relative to A2 is statistically significant at 0.01 confidence level
## Small Differences in Occupational Choices

<table>
<thead>
<tr>
<th>Occupation</th>
<th>% of ITA Vouchers Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer Networking / IT</td>
<td>16</td>
</tr>
<tr>
<td>CDL / Truck Driver</td>
<td>13</td>
</tr>
<tr>
<td>Medical Assistant / Secretary</td>
<td>6</td>
</tr>
<tr>
<td>Admin./ Clerical Assistant</td>
<td>4*</td>
</tr>
<tr>
<td>CNA / Nursing Aide</td>
<td>3**</td>
</tr>
<tr>
<td>Medical Coding, Billing</td>
<td>5</td>
</tr>
<tr>
<td>Computer Programming</td>
<td>4</td>
</tr>
<tr>
<td>Nursing (RN/LPN)</td>
<td>4</td>
</tr>
<tr>
<td>Database Administration</td>
<td>4</td>
</tr>
<tr>
<td>Web Design</td>
<td>3</td>
</tr>
<tr>
<td>Cosmetology / Manicurist</td>
<td>1</td>
</tr>
<tr>
<td>Massage Therapy</td>
<td>1</td>
</tr>
</tbody>
</table>

* Difference relative to A2 is statistically significant at 0.10 confidence level

** Difference relative to A2 is statistically significant at 0.05 confidence level
Approach 3 Customers More Likely to Choose Community Colleges

- **64%** for Private Schools
- **63%** for Community/Technical Colleges
- **61%** for States, Private Universities
- **26%** for Nonprofit FBOs, CBOs
- **2%** for Other

* Difference relative to A2 is statistically significant at 0.10 confidence level
** Difference relative to A2 is statistically significant at 0.05 confidence level
*** Difference relative to A2 is statistically significant at 0.01 confidence level
Approach 1 Customers Chose Slightly Longer Programs

Average Duration of ITA Training

- A1: Structured Choice
- A2: Guided Choice
- A3: Maximum Choice

*** Difference relative to A2 is statistically significant at 0.01 confidence level
Summary of Findings

- Customers rarely requested counseling
- Counseling discouraged take-up of ITAs
- Counseling made little difference in training choices
- Training expenditures were higher when cap was customized
Remaining Questions

- **How does the ITA approach affect:**
  - Training completion?
  - Employment and earnings?

- **Addressed with 15-month survey data**