

Study Methodology

During our research on Minnesota's workforce development services, we conducted several analyses and interviewed numerous people. In this document, we explain the methodology we followed to 1) analyze how well training services related to occupations in demand, 2) survey members of local workforce councils around the state, 3) select samples of individuals for interviews, and 4) collect expenditure data from community-based organizations that contract with the Minneapolis Employment and Training Program to provide certain services.

RELATING TRAINING SERVICES TO OCCUPATIONS IN DEMAND

In Chapter 3 of our report, we evaluate how well local workforce service areas have complied with a federal requirement to relate dislocated workers' training services to occupations in demand. While the same requirement applies to the federal program for adults, we limited our analysis to the federal program for dislocated workers and the Minnesota Dislocated Worker Program because they provide the majority of training. We included state program participants in the analysis because a similar requirement regarding training applies to the state program.¹

To complete this analysis, we obtained data from the Department of Employment and Economic Development (DEED) on all individuals who received any services through either the federal program for dislocated workers or the Minnesota Dislocated Worker Program any time during program year 2003 (July 1, 2003 through June 30, 2004). In our analysis, we included only dislocated workers that received training services on or after July 1, 2003. We defined training as any of the types of services that the federal program defines as training, including occupational, academic, on-the-job, and customized training.² Of the 25,109 dislocated workers who received any service through the federal or state program in program year 2003, 4,146 individuals received training that began on or after July 1, 2003.³

¹ In Chapter 3, we discuss the legal requirements regarding training for both the federal and state dislocated worker programs and explain why we apply the federal standard to participants of both programs.

² The majority of dislocated workers receiving training services enroll in occupational training. Short-term courses such as a basic computer class are not treated as training services.

³ Another 15 dislocated worker participants received training in the relevant time period but were excluded from the analysis because there were no data describing the occupation with which the training was associated.

To determine whether a participant's training was related to an occupation in demand, we compared training services with labor market data from DEED identifying occupations in demand. Of the labor market data available to local employment counselors, DEED staff recommended which data best identified occupations in demand. Based on this information, we defined an occupation as in demand if it satisfied any one of three different definitions. The first two measures identify occupations where job vacancy rates equal or exceed unemployment rates. We based the first measure on DEED's definition of an occupation with a workforce shortage, one where the job vacancy rate exceeds the unemployment rate by 3 percentage points. The second measure, less restrictive than DEED's, identifies an occupation as in demand if the job vacancy rate equals the unemployment rate or exceeds it by any amount.

These measures rely on two sources of data from DEED: the Job Vacancy Survey and unemployment rate data. DEED uses the Job Vacancy Survey to determine the level of hiring demand for workers in specific industries and occupations. This survey, conducted twice a year, asks a sample of employers in the state about the number of job vacancies they have at a specific point in time. For our analysis, we used an average job vacancy rate based on the second quarter 2003 and fourth quarter 2003 surveys because counselors would have had access to data for this period at the time they approved training services that began on or after July 1, 2003. The unemployment rate data show the proportion of the labor force that is unemployed and claiming unemployment insurance benefits.⁴ In our analysis, we used average unemployment rate data for calendar year 2003.⁵

The third measure of an occupation in demand identifies occupations expected to be in demand in the future based on DEED's ten-year employment projection data.⁶ In our analysis, we used employment growth projections for the year 2010 based on data for the year 2000. We defined an occupation as in demand if it was one of the 50 expected to have the highest employment growth during this ten-year period.

For each of the three definitions of occupations in demand, we compared the occupational code describing a participant's training with the occupational codes for occupations in demand. Because participants could be enrolled in more than one instance of training, we made this comparison for each instance of training a participant received that began on or after July 1, 2003. In most cases, the data on participants' training and the labor market data both used the same occupational code, known as the Standard Occupational Code. This code can be used to describe occupations at differing levels of specificity, based on the number of digits used. For example, the two-digit code 11 refers to all management

⁴ Unemployment rates do not count everyone out of work because they exclude certain groups, such as those who have exhausted their unemployment insurance benefits. Only persons available and actively looking for work are considered part of the labor force. The unemployed include people actively looking for work during the last 4 weeks; those waiting to be called back to work from which they were laid off; or persons waiting to report to a new job.

⁵ Average weeks of unemployment insurance claimed is based on the average level for the second and fourth quarters of 2003. The number of employed individuals is based on the 2003 annual average from the department's Occupational Employment Statistics survey.

⁶ The department relies on data from the state's Quarterly Census of Employment and Wages and the Occupational Employment Statistics Survey in developing its employment projections. The U.S. Department of Labor produces the methodology and model for the employment projections, which are used by all 50 states.

occupations, the three-digit code 113 refers to operations specialties managers, and the six-digit code 113051 refers to industrial production managers. For our analysis, we used the more specific six-digit codes for the measure showing the top 50 employment growth occupations. However, we used broader three-digit occupational codes for the two measures comparing job vacancy rates and unemployment rates because the job vacancy rate data for occupations are reliable for substate geographic regions only at the three-digit code level.⁷

Some participants may have been enrolled in more than one type of training, such as both occupational and academic training. If an occupational code for any type of training matched that of an occupation in demand, we treated the participant as having received training related to an occupation in demand. In addition, some participants had instances of training related to different occupational fields, as identified by different occupational codes. If the occupational codes associated with any instance of training matched those for any of our three definitions of occupations in demand, we treated that participant as having received training related to an occupation in demand.

Although the data used in the analysis included the Standard Occupational Code for most participants' training, in a few cases, this code was unavailable. The data for most of these cases included an educational program code (the Classification of Instructional Programs code) that identified the participant's training program. We used this educational code to evaluate training for 236 participants who received training on or after July 1, 2003 but had no instance of training identified by an occupational code. Each of these educational codes can be associated with many occupational codes. For each educational code describing a participant's training, we identified all of the associated occupational codes. We then compared each of these occupational codes with occupational codes for relevant labor market data.

Federal law requires that training for participants in the federal program be related to occupations in demand within the local workforce service area.⁸ However, the labor market data used in the analysis is only available for the state's 6 planning regions, rather than for the 16 workforce service areas. Because each service area is located within the boundaries of one planning region, we applied the appropriate planning region level data to each service area. For example, we used Northeast planning region data for the Duluth Workforce Service Area #4, which is located within that planning region. In addition to participants served by the local workforce service areas, we included in our analysis those served by the six independent providers who work with the state Dislocated Worker Program. For these six independent providers, we used labor market data for the Twin Cities metropolitan planning region because all the providers are located within the metropolitan area.

⁷ DEED provided our office with job vacancy rate data based on an average of two survey periods (the second quarter 2003 survey and the fourth quarter 2003 survey) to yield results for substate regions that are reliable at the three-digit code level rather than the broader two-digit code level.

⁸ The federal law requires that training be related to occupations in demand in the workforce service area or in another area to which a participant is willing to relocate. We were not able to determine whether a client planned to relocate to another region of the state based on the data used in our analysis.

Individuals who received training in more than one workforce service area or who received training through both the federal and state programs for dislocated workers were counted twice in our analysis. We treated them this way to make comparisons among the workforce service areas and between the federal and state programs. In our analysis, this involved 30 individuals.

SURVEYING LOCAL WORKFORCE COUNCIL MEMBERS

We surveyed local workforce council members from each of the 16 workforce service areas to assess members' opinions on their involvement with workforce development. Survey items focused on each council member's participation on the council, working relationships with other entities, and barriers that might hinder the effectiveness of the council.

To develop survey questions and possible responses, we spoke with workforce council chairs and service area directors and attended several local council meetings. We also interviewed staff at the Department of Employment and Economic Development (DEED) and the Governor's Workforce Development Council and interviewed program managers from several workforce service centers. Finally, we reviewed a variety of background materials, including federal laws and state statutes.

In mid-June, we asked five local workforce council members representing business, nonprofits, and state employees from the metropolitan area and outstate Minnesota to test the questionnaire. We also solicited feedback from two DEED staff persons. We finalized the questionnaire reflecting their comments. In addition to the paper questionnaire, we created an online database with items identical to those in the printed questionnaire to allow council members to respond using the Internet.

DEED supplied us with council members' names and addresses based on lists submitted by each service area as part of the areas' annual updates to their five-year Workforce Investment Act plans. In deciding which of the council members to include in the survey, we opted to exclude 17 persons who had not served as council members prior to July 1, 2004 because their inexperience with their council could preclude them from answering the questions. We also excluded 16 elected officials who were nonvoting members of their councils.

On July 26, 2004, we mailed to each council member a cover letter describing the study, a copy of the questionnaire, background information about our office, a postage-paid return envelope, and directions describing the option to submit survey responses online. Members received a password that allowed them to access the database via the Internet and enter their responses through a secure Web site. We asked members to respond by August 16, 2004.

On August 18, 2004, we mailed a follow-up letter to those members who had not yet returned survey responses by facsimile transmission, mail, or online submission. We also e-mailed those members for whom we had e-mail addresses.

On August 30th, we also e-mailed directors of those service areas with more than one nonrespondent and asked them to encourage all members to respond. Responses were accepted through mid-September. We continued to follow up with members for several more weeks and eventually received responses from 282 of the 343 surveys distributed, for an 82 percent response rate. We received 202 responses online, and 80 responses by facsimile transmission or by mail. For one survey, every item except the respondent's name was blank and we deemed that response as unusable.

We entered responses from the mailed and faxed questionnaires into an Access database and then combined those responses with the responses submitted online. We checked data for inconsistent responses, such as the few members responding "don't know" to items that asked the member to supply their own option, and modified those responses. We did not attempt to contact members for additional information.

To assess some of the ways that councils might differ, we analyzed respondents by looking at the types of organizations that members represented and the number of years that members reported serving on councils. Regarding the first difference, while at least half of the members of all councils represented private business, the proportion of members representing other constituencies varied somewhat. For example, 22 percent of the Duluth Service Area #4 council represented education, compared to an overall average of 10 percent. Regarding members' tenure, for those members responding to our survey, we also saw differences by council. For example, two-thirds of Minneapolis Service Area #10 members (all of whom responded to our survey) reported serving six or more years compared to an average of 30 percent for all councils.

Some councils had more members than others. Of those members meeting the requirements for our survey, the 16 councils comprised between 13 and 48 members. When calculating overall percentages, differences in the size of the councils could give larger councils more influence on the results. We weighted members' responses to equalize the size of the councils and compared those percentages with percentages calculated using unweighted responses. The results from the weighted analysis were nearly always within a percentage point or two of the unweighted analysis. For simplicity, we report only the unweighted percentages.

Aggregate responses to the workforce council member survey are available.

SELECTING INDIVIDUALS FOR INTERVIEWS

During this evaluation, we collected a large amount of information by interviewing people at both the state and local levels. In each of the 16 workforce service areas, we interviewed area directors and chairs of local workforce councils. However, for three groups, insufficient time prevented us from interviewing everyone involved, and we instead selected samples from these

groups to interview. The groups were: service providers in the workforce centers, chief local elected officials, and local chamber of commerce officials.

Service Providers in Workforce Centers

To select the service providers we would interview in each of the 16 workforce service areas, we first examined the “cost allocation plans” that workforce service areas develop to calculate the percentage of operating costs that each organization within a workforce center will pay. Based on these plans, we identified the agencies housed within each center and compiled a list of many of the service providers available within a service area. In most cases, this included the programs of Job Service, Vocational Rehabilitation, State Services for the Blind, Minnesota Family Investment Program (MFIP) Employment and Training, and the federal programs for adults, youth, and dislocated workers.⁹ We focused on these service providers because they paid shares of the centers’ costs. However, after verifying our lists with directors in the service areas, we occasionally added organizations that were operating in the service area but were not included in the cost allocation plan.

We arranged group meetings in a workforce center within each service area and invited program managers from the programs we had identified; typically, the meetings were in the center that also housed the service area director. In many cases, the service area director assisted us by providing a meeting room or making contacts with service providers on our behalf. We developed a list of two dozen questions and sent the questions to the invited participants in advance of the meetings. In total, 61 program managers participated in the interviews around the state.

Local Elected Officials

Some local elected officials, most often county commissioners, have a role in workforce development services, and we wanted to better understand their roles and how actively they were involved. We identified commissioners in four different counties, two located in outstate Minnesota and two in the seven-county metropolitan area. Based on conversations with other staff in the local service areas, we selected two counties where elected officials were thought to be heavily involved with the workforce councils and two where they were relatively removed from council activity.

The counties we selected were Dakota, Hennepin, Martin, and Stearns. In each of the four counties, we spoke with the chair of the county board or the chair of the joint powers board created to deal with workforce issues. After developing a list of nine questions and forwarding them to the commissioners, we interviewed the commissioners over the telephone. Although our interviews gave us some sense of local elected officials’ opinions on workforce development services in their areas, the small number of interviews precludes interpreting their viewpoints as representative of all local elected officials.

⁹ In many but not all cases, the organizations providing services for MFIP Employment and Training were also providing services for the federal programs serving adults, youth, and dislocated workers.

Local Chamber of Commerce Executives

To gain an understanding of local business' awareness of, and interactions with, workforce centers, we interviewed a small number of executives from local chambers of commerce. We selected chambers in cities representing a mix of population sizes and geographic locations, but we interviewed seven chamber executives, a number too small to be representative of chambers statewide. Each chamber was in a city that contained a workforce center or recently contained one. Two were in the metropolitan area: the Minneapolis Regional Chamber of Commerce and Woodbury Chamber of Commerce. The remaining five were chambers in outstate Minnesota: Albert Lea-Freeborn County, Cambridge Area, Fargo Moorhead, Grand Rapids Area, and Park Rapids Lakes Area.

Prior to contacting the local chambers, the Minnesota Chamber of Commerce agreed to send an electronic message to chambers around the state briefly describing the Legislative Auditor's Office's study. We subsequently developed a list of 11 questions and interviewed the chamber executives over the telephone.

COLLECTING EXPENDITURE DATA FROM COMMUNITY-BASED ORGANIZATIONS

For the federal programs serving adults, youth, and dislocated workers, federal law specifies that local service areas may use no more than 10 percent of their allocation for administration expenses.¹⁰ To determine the extent to which administration costs varied between workforce service areas, we conducted two case studies. In one (Minneapolis Service Area #10), the service area provided services by relying on contracts with the state and with multiple nonprofit, community-based organizations. In the other (Southwest Minnesota Service Area #6), services were delivered primarily by a single entity, which was the nonprofit private industry council.¹¹

Federal rules clarify the distinction between functions and activities that are administration expenses and those that are program expenses, but the law requires only service areas, not vendors (such as those in Minneapolis), to make this distinction.¹² In the case of Minneapolis, we asked vendors that had provided services during program year 2003 to distinguish between their program and administration costs for the grants awarded by the city. We mailed a request for data and three worksheets (one each for the programs serving adults, youth, and dislocated workers) to 15 vendors to complete. The worksheets required vendors to differentiate among the four sources of revenue Minneapolis uses to fund its employment and training programs. To determine whether the data could be

¹⁰ *Workforce Investment Act*, §128(b)(4)(A).

¹¹ The private industry council operates under a contract with the local workforce council in Southwest Minnesota Area #6 to deliver certain services. In 2000, the private industry council and the local workforce council became two separate organizations, following a period of time when they had operated as a single entity. The private industry council delivers the services, and the local workforce council sets policies and performs the other functions required by the federal Workforce Investment Act.

¹² 20 *CFR* §667.220 (2004).

compared, we asked the vendors to specify whether they used the federal law's definition of "administration costs." All 15 of the vendors responded to our request, and they differentiated between administration and program expenses, even though federal law does not require them to do so. Five vendors told us they charged no administration expenses to the Minneapolis contracts that year, relying on other revenue sources to pay administration costs. Twelve of the 15 (representing more than 82 percent of the contracted dollars) based their administration costs on the federal law's definition, allowing us to compare administration costs among agencies.