

Business Solutions Training Funds (TF) **A Program of the New York City Department of Small Business Services (SBS)**

PROGRAM REVIEW SUMMARY

This overview of the Department of Small Business Services (SBS) Business Solutions Training Funds (TF)¹ is based on a program review conducted by Westat/Metis staff for the evaluation of the Center for Economic Opportunity (CEO) initiatives. Information and data presented here are based on interviews conducted by Westat/Metis staff between June and July 2008 with staff of the CEO and SBS and a review of program documents and management reports from SBS through July 2008.

- Sponsoring Agency:** New York City (NYC) Department of Small Business Services (SBS)
- Provider Agency:** NYC Business Solutions (NYCBS), a unit of SBS
- Start Date:** CEO funding began February 2007; Customized Training Grants, a Workforce Investment Act (WIA)-funded version, has operated since 2005.
- CEO Budget:** Fiscal Year 08: \$3,704,404 (total budget including WIA funds = \$5,200,000)
- Target Population:** Low-skill, low-wage workers and the unemployed
- Statement of Need:** Approximately 350,000 individuals in New York are working, yet not earning enough to rise above the poverty level. Due to a lack of skills, including limited English proficiency and an inability to access training, many working poor cannot secure permanent well-paid jobs with growth potential. Stabilizing workers on the first rung of the career ladder will improve retention and build a strong foundation for advancement.
- Goal and Services:** The goal of the SBS TF is to increase the wages and build the skills of low-skill, low-wage employees through training provided directly through their current employer. By offering grants on a competitive, cost-sharing basis to businesses and firms in NYC who employ low-skill, low-wage employees, appropriate training can be conveniently delivered that will help targeted workers gain occupational and transferable skills in literacy, numeracy, English as a second language (ESL), and workplace behavior, enabling them to advance in their careers. Through the grants and technical support, participating employers gain a stronger workforce, increased retention, and enhanced productivity.
- Eligibility Criteria:** Eligibility refers both to eligible grantees (employers) within NYC and to eligible trainees (workers). Potential grantees must complete a two-phase application process to determine eligibility. Grants are determined based on the administrative resources of the applicant to manage the program, the feasibility of achieving targeted outcomes on time, and the potential profitability gains from the training. Trainees may include incumbent or new workers and should focus on low-income workers earning \$15/hour or less. Applications take into consideration the percentage of trainees expected to receive wage increases, how training will help employees perform more effectively, and the delivery of training that is applicable across one or more industry sectors. However, no specific target for serving low-skill low-wage trainees has been specified.

¹ The program was formerly named Customized Training Funds Initiative.

Targets/Outcomes: The goal for fiscal year (FY) 08 is to train 750 employees, and this goal jumps to 2,500 employees to be trained in FY09. As Table 1 shows, TF is on track to exceed its FY08 goal of 750 by 826. Another goal is to increase the number of new hires that participating businesses make. Table 1 shows the total number of trainees scheduled to receive training through TF grants and the number and percentage of those trainees that are new hires.

Table 1. Business Solutions TF Trainee Enrollment

Round	Total Number of Trainees	Number of New Hires	% New Hires
December 07	565	128	23%
June 08	563	80	14%
March 08	448	33	7%
Total	1,576	241	15%

Selected Key Findings

Fidelity to the Program Model. TF is based on the pre-existing NYC Customized Training Grants model that started operation in 2005 using WIA funding. CEO funding of the program began in February of 2007, and the first full round of CEO-funded grants began in December 2007. Both models share the goal of providing training for low-skill, low-wage workers that will lead to increased job retention, promotion, and wages. In both models, training is provided through the employer. While WIA funding remained stable, the addition of CEO funding brought with it a new theoretical model. The central tenets of the new approach are to make the program more flexible for businesses and to track fewer, but more measurable, outcomes. The program has made three rounds of awards, but only seven of the 23 TF grantees have started their training programs. While the first few grantees appear to be following the new model, it is too early to assess program fidelity to the new model, particularly given a lack of sufficient data about the trainees.

CEO funding allows for a broader range of training to be covered under the grants – training specifically designed to address transferable soft skills including job readiness, basic education, and ESL. However, less than half of the employers funded thus far appear to be taking advantage of this flexibility by offering some type of soft skills training. With the CEO funding, the employer match is more flexible, changing from 50 percent to between 30 to 40 percent depending on company size. The maximum grant size was increased to \$400,000 and a provision was made for small businesses to apply together as a consortium. Final payment of the award is more flexible under the TF rules because if the outcomes are below certain thresholds, the figure is pro-rated rather than lost. The program has a built-in system for making changes to grants after an award is made. The program model also calls for fewer and more measurable outcomes to reduce the strain of participation on businesses.

Characteristics of the Clients Served in Comparison to the Target Population. As a CEO program aimed toward serving low-income New Yorkers, TF set as its primary focus workers earning \$15/hour or less. However, TF trainees can include those who earn significantly more than \$15/hour. Table 2 presents data provided by SBS on the pre-training wages of workers in the three most recent rounds of TF awards. Taken together, over half (53%) of the incumbent workers scheduled to receive training fall within the \$15/hour or under categories.² Over the course of the three cycles, those in the lowest earning category (less than \$12/hour) have ranged

² Due to a higher cut-off point of \$15.99/hour used for summarizing the pre-training wages of the June 2008 cohort, it is impossible to know with certainty using the reported data how many of the 119 individuals within this category earn more than \$15/hour in pre-training wages. TF and CEO will need to standardize this reporting requirement for future comparable analyses.

between one-quarter and one-third of the total. When aggregated across the three cycles, this lowest paid group makes up 30 percent of the total scheduled to receive training, the largest proportion of all four wage categories. Those in the highest wage category (earning \$20 or more per hour) are the second largest category to be served with training funds. Without specific targets for the percentage of trainees with pre-training wages below \$15/hour, it is difficult to state whether TF is adequately serving its target population.

Table 2. Pre-Training Wages of Incumbent Workers

	December 07		June 08		March 08		Total	
	#	%	#	%	#	%	#	%
Pre-training wage:								
Less than \$12.00	180	34%	139	29%	108	26%	427	30%
\$12.00 – 15.00a	114	21%	119	25%	104	25%	337	23%
\$15.01 – 19.99	123	23%	117	24%	64	15%	304	21%
\$20 or above	119	22%	108	22%	147	35%	374	26%
Total	536	100%	483	100%	423	100%	1,442	100%

^a NOTE: For the June 08 awards, the category of \$12-\$15/hour includes pre-training wages up to \$15.99, as SBS summarized the data using this categorical range in response to a specific CEO request made prior to the program review.

Service Delivery. From the grantee’s perspective, program services are essentially the influx of additional training resources. TF reports that NYCBS provides technical assistance to grantees that is designed to enhance the utility of the training resources.

From the trainee’s perspective, program services are more direct and tangible in the form of convenient, employer-based training opportunities. The types of training are wide-ranging and may include job-specific training, literacy and numeracy skills, application of technology, workplace behavior, and English as a second language (ESL). According to a review of the NYCBS abstracts that described the current mix of 23 grantees, 13 plan to offer some type of ESL, literacy, customer service, communications, or job readiness training not eligible under WIA. Although many trainees might already possess basic job skills, or employers who need this type of training for their employees might not apply for these training funds, feedback from the employers themselves probably provides the best explanation: although soft skills are essential for initial hiring and retention, increases in soft skills rarely justify wages gains. Hence, employers focus on occupational skills.

Agency Management. SBS appears to provide strong managerial oversight of the TF program with respect to making the awards. However, at the time of the program review, only seven of the 23 TF grantees funded had started their training program, so SBS has had limited opportunities to manage fully implemented programs. Unlike many other SBS-managed programs, TF is managed internally by NYCBS, a division of SBS, rather than by an external service provider. The availability of CEO funding that started in February 2007 allowed for considerable expansion of program staffing, enabling both programmatic growth as well as programmatic management. A significant amount of additional resources are leveraged through matching contributions required from participating employer partners.

Periodic site visits to grantees provide SBS with information to help gauge fidelity to proposed training strategies. To reduce employer burden, Monthly Activity Reports (MARs) are collected bimonthly from grantees. These reports gather information on employees who are in training, what type of training is being delivered, etc. However, SBS has not yet developed mechanisms for aggregating data on training across grantees. The

lack of aggregate data makes it difficult to judge whether the program as a whole is meeting CEO goals. Although organizing aggregate data on demographic characteristics of trainees is not part of TF's current outcome analysis plan, it will rely on employer information as well as New York State Department of Labor's Wage Reporting System data to evaluate wage gains. Presumably, once these data are available, it will be possible to aggregate these data across all grantees.

Early Outcomes. TF appears to be consistent with the overall CEO mission by enabling employers to provide career advancement training to incumbent and new workers. However, the degree to which the program serves low-skill, low-wage workers is unclear. Due to the lack of aggregate data, it cannot be determined at this time whether the program is meeting CEO's goal of serving low-income workers, although data provided by TF show that over half of the trainees scheduled to receive training earn \$15/hour or less. In addition, although SBS has a strong plan for collecting outcome data, only a few programs have started training, no grants have yet closed, and therefore no outcome data have been collected to date.³

Conclusions and Recommendations

The SBS TF program model represents an innovative and plausible approach to serving low-skill, low-wage New Yorkers through employer-based training. Some recommendations follow.

- Provide increased marketing and assistance to qualified employers in order to achieve more successful applications. In addition, there is a need for better tools to evaluate applications.
- Continue to explore new ways to reach out to and engage small businesses, which make up a huge proportion of NYC-based employers.
- Improve data management, especially with respect to ability to aggregate data across grantees. Efforts to transfer trainee information to Worksource1 are underway but face obstacles. In the interim, TF needs to design and implement a plan to summarize the characteristics of trainees in order to determine if the program is reaching the population the initiative is intended to serve.
- SBS and CEO should work together to set targets for serving low-skill, low-wage trainees.

³ Outcome data is generally not available until six months after the completion of the training.