

EXECUTIVE SUMMARY

In June 2012, the U.S. Department of Labor (USDOL) awarded \$147 million in Workforce Innovation Fund (WIF) grants to 26 grantees, including state workforce agencies, local workforce investment boards, and one Workforce Investment Act (WIA)¹ Section 166 grantee serving Indian and Native American communities.² The SkillSource Group Inc. (SkillSource)—the Northern Virginia Workforce Investment Board’s non-profit fiscal agent—was awarded an \$8.35 million WIF grant for the *Virginia Employment through Entrepreneurship Consortium* (VETEC) program, the focus of this final report.

VETEC provided comprehensive entrepreneurship and self-employment training, mentoring, and technical assistance to WIA-eligible adults and dislocated workers interested in starting small businesses and attaining long-term economic self-sufficiency through self-employment. VETEC operated in three Virginia Local Workforce Investment Areas (LWIAs): ENOVATE in Northern Virginia (LWIA #11), Greater Richmond GATE (LWIA #9), and Launch Hampton Roads (LWIA #16). VETEC integrated entrepreneurship services within the existing Virginia state public workforce system, by building on USDOL’s *Growing America through Entrepreneurship* (GATE) initiatives, originally implemented in 2003-2005.³

In fall 2012, SkillSource contracted with IMPAQ International (IMPAQ) to conduct the VETEC Evaluation. To address the study research questions, IMPAQ designed and implemented a mixed-methods evaluation design that included complementary qualitative and quantitative components. The qualitative component consisted of implementation and process studies; the quantitative component involved an experimental design impact evaluation in which non-veteran eligible VETEC applicants were randomly assigned to a treatment or a control group.⁴ This enabled IMPAQ to evaluate VETEC’s impact on the labor market and self-sufficiency outcomes of non-veteran program participants against a rigorously defined *status quo*. A separate study, also reported here, focused on the 206 VETEC-eligible applicants who were veterans; their veteran status conferred the right to become program participants, thus preventing them from being included in the random assignment process. This Final Evaluation Report presents the results of the: (1) Implementation Study, (2) Process Study, (3) Impact Study, and (4) a separate study of VETEC veteran participants.

¹ On July 22, 2014, the Workforce Innovation and Opportunity Act (WIOA) was signed into law, superseding WIA, which was enacted in 1998.

² An initial solicitation announced the availability of approximately \$98.5 million in WIF grants. However, because of the number of responses and applications received, the Department elected to provide \$49 million in additional grants using funds from fiscal years 2011 and 2012.

<http://www.dol.gov/opa/media/press/eta/ETA20121237.htm>

³ ENOVATE and Greater Richmond GATE were part of the original GATE initiatives; Launch Hampton Roads was not.

⁴ Details on the random assignment process are described in Chapter 3.

Program Processes and Implementation

The VETEC program model was designed to provide similar entrepreneurial and training services across the three service delivery areas in Virginia. The IMPAQ team conducted site visits to each of the three sites to collect data for both the implementation and process studies. In addition to documenting the program's operation and services at each site, these studies identified implementation challenges, best practices, and lessons learned.

VETEC program staff, partners, and participants reported very positive views of the program and recommended its replication in the future, despite some implementation challenges. VETEC is distinguished by the quality of the intensive, specialized entrepreneurship training and the individualized approach the program takes with each participant. VETEC is also distinctive in its comprehensive approach to entrepreneurship training and follow-through. The program model plays a unique role in the workforce development system and can serve as a model for future efforts to build self-sufficiency through entrepreneurship.

Study findings led to a number of recommendations for future implementation. Major recommendations include:

- Clearly identify the roles and responsibilities of each partner.
- Engage the state employment commission early on to obtain UI waivers.
- Create and leverage a shared program brand.
- Automate the process for registering participants for the information session.
- Use the orientation session to streamline the start of training services.
- Use assessments to tailor program services to participant needs.
- Use the initial consultation to begin development of a business plan.
- Consider the trade-off between shorter and longer training duration.
- Hold regular peer events for current and former participants.

Characteristics at Baseline

The VETEC program received 733 non-veteran eligible applicants, who were all randomly assigned to the treatment group (referred to as program participants) or the control group. Overall, random assignment succeeded in creating comparable treatment and control groups with similar baseline characteristics at the time of application (referred to throughout as baseline). Non-veteran eligible VETEC applicants tended to be women, African American, and ages 45-64 years. They were also more highly educated than the general population nationwide. Two subgroups of particular interest were those who were receiving Unemployment Insurance (UI) benefits at baseline and those who had previous self-employment experience (active or inactive) at baseline:

- Of VETEC's non-veteran eligible applicants, 34 percent were receiving UI at baseline. Members of this group were less likely to be African American than the general non-

VETEC population. They were also older, more educated, and averaged higher household incomes over the 12-month period prior to baseline.

- Almost half of the non-veteran eligible applicants had some self-employment experience. The characteristics of this subgroup resembled those of the overall non-veteran VETEC population much more closely than those of the UI recipient subgroup.

VETEC and Non-VETEC Services Received

Almost all non-veteran program participants had engaged in at least one VETEC service type by the 18-month follow-up survey (referred to as follow-up), with just 8 percent not receiving any services. Classroom training was the most popular VETEC service across all three sites.

The services offered by the VETEC program, *available only to the treatment group*, were just one of a number of employment initiatives offered by WIA/WIOA. Both treatment and control group members were free to explore self-employment services offered by other service providers. Approximately 34 percent of the randomly assigned eligible applicant group (treatment and controls) had experience with some form of employment service offered under WIA/WIOA in the 12 months prior to baseline; 22 percent of the randomly assigned group continued to receive those services during the follow-up period. Many—mainly, but by no means exclusively, control group members—also sought out alternative self-employment service offerings, the majority going for workshops/seminars.

Program Participants' Outcomes

We analyzed the outcomes of participants in two ways:

- **Descriptive analysis.** VETEC's primary goal is to promote self-employment by providing self-employment training via the public workforce system. Consequently, a large share of non-veteran participants (43 percent) were **self-employed** 18 months from their date of random assignment, and only 24 (6 percent) who became self-employed at some point during the follow-up period had ended it by the follow-up survey. The majority of participants' businesses were registered as limited liability companies, and funded primarily with personal funds. With respect to **employment in a wage or salary job**, 69 percent of non-veteran participants had at least one salaried job over the follow-up period (with 11 percent working three or more different jobs), and 53 percent were employed at follow-up. Participants' **average earnings in the 12-months prior to follow-up** were far higher for salaried jobs than from self-employment (\$21,498 versus \$7,556). With regard to **self-sufficiency as measured by UI benefit receipt**, another VETEC goal, 27 percent of non-veteran participants reported receiving UI benefits between baseline and follow-up, the majority of whom reported UI benefit collection for no more than 12 weeks—indicating that few were long-term unemployed.
- **Impact analysis.** Balancing tests to ensure that control and treatment group members

were similar in terms of baseline characteristics indicated, as expected, that random assignment produced extremely comparable treatment and control groups. The results of similar tests on a subsample of follow-up survey respondents showed, further, that the successful treatment-control balance was not affected by survey non-response. We used multiple regression analyses to estimate program impacts—comparing the randomly assigned treatment group of non-veteran VETEC participants with their counterparts in the control group, who could not avail themselves of VETEC services but could receive other self-employment training services on their own. **Holding all else constant, among non-veterans, VETEC led to an average 9 percentage point increase in the likelihood of being self-employed at follow-up.** Subgroup analyses revealed that the VETEC program’s overall impacts on being self-employed 18 months after random assignment were strongly driven by older participants (ages 45+ years), for whom the likelihood of being self-employed at follow-up increased more than twice as much (19.5 percentage points).

Veterans

Under the VETEC program, veterans were given the same priority of services they receive under all USDOL-funded job-training programs including WIOA/WIA, and were therefore automatically enrolled in the VETEC program upon application.

There were a number of significant differences between VETEC veterans and the general veteran population in the United States. Nearly 86 percent of VETEC veterans were unemployed at baseline compared to 8 percent nationwide. VETEC veterans were also more likely to be African American, less likely to be married, and were more educated than the general US veteran population. In comparison to non-veteran VETEC participants, veterans were more likely to be male, to be disabled and to have health insurance. The gender gap between men and women VETEC veterans (59 percent male), however, was substantially smaller than the gender gap in the general veteran population.

The veteran uptake of VETEC services was similar to the non-veteran uptake and veterans participated in other self-employment services to the same degree as well. In terms of outcomes, VETEC veterans were significantly less likely than non-veterans (by 13.3 percentage points) to have at least one wage or salaried job that lasted two weeks or longer over the follow-up period. However, once employed, VETEC veterans earned significantly and substantially more than non-veterans from salaried employment (\$54,000 versus \$31,000).