

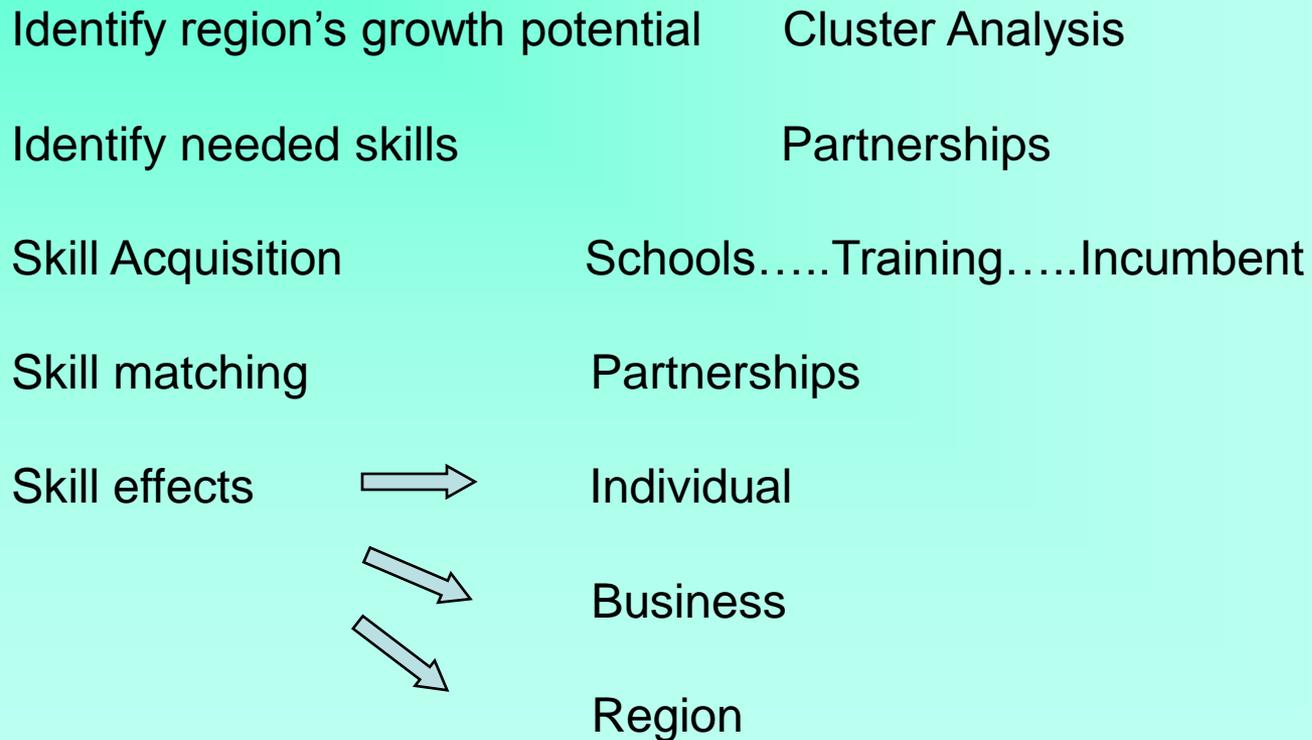
Key Issues in Assessing Strategy Impact

**Designing and Delivering Skills Strategies for Cities
Capacity Building Seminar for Partnerships
OECD/LEED Trento Centre
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Steps from Skills to ED

Skills = Long-term Economic Development



What do we want to know?

- **Big question—Impact of the program on the region’s economic development**
 - What is the net outcome on the region had the program not existed?
- **Answer to the big question made up of different components**
 - What is the net outcome of businesses had the program not existed?
 - What is the net outcome of workers had the program not existed?
 - What are the net outcomes of government and NGOs?
 - What is the net outcome of non-participants had the program not existed? (unintended consequences, such as displacement effects)
 - What is the net effect on potential entrants into the region?
- **But the answer is not obtained by simply adding up the individual net outcomes because of interaction, spillover, and displacement effects**
- **The effectiveness of the programs depend upon execution of each of the various steps from identifying growth potential to schooling to forming sector-specific partnerships (if that’s the chosen approach) to the final outcome**

Why do we want to know?

Self-improvement (how to improve the program)

- **Improve program design**
- **Improve implementation process**
- **Internal monitoring of progress**
- **Identify needs on an on-going basis**

Accountability

- **Programmatic (procedural) compliance**
- **Financial compliance**
- **Targeted population compliance**

Decision making (is the program worth continuing)

- **Performance assessment (net outcomes)**
- **Benefit/cost analysis (return on investment)**

Replication

- **Can the program be replicated**
- **Evaluate contextual circumstances leading to success**

Who wants to know?

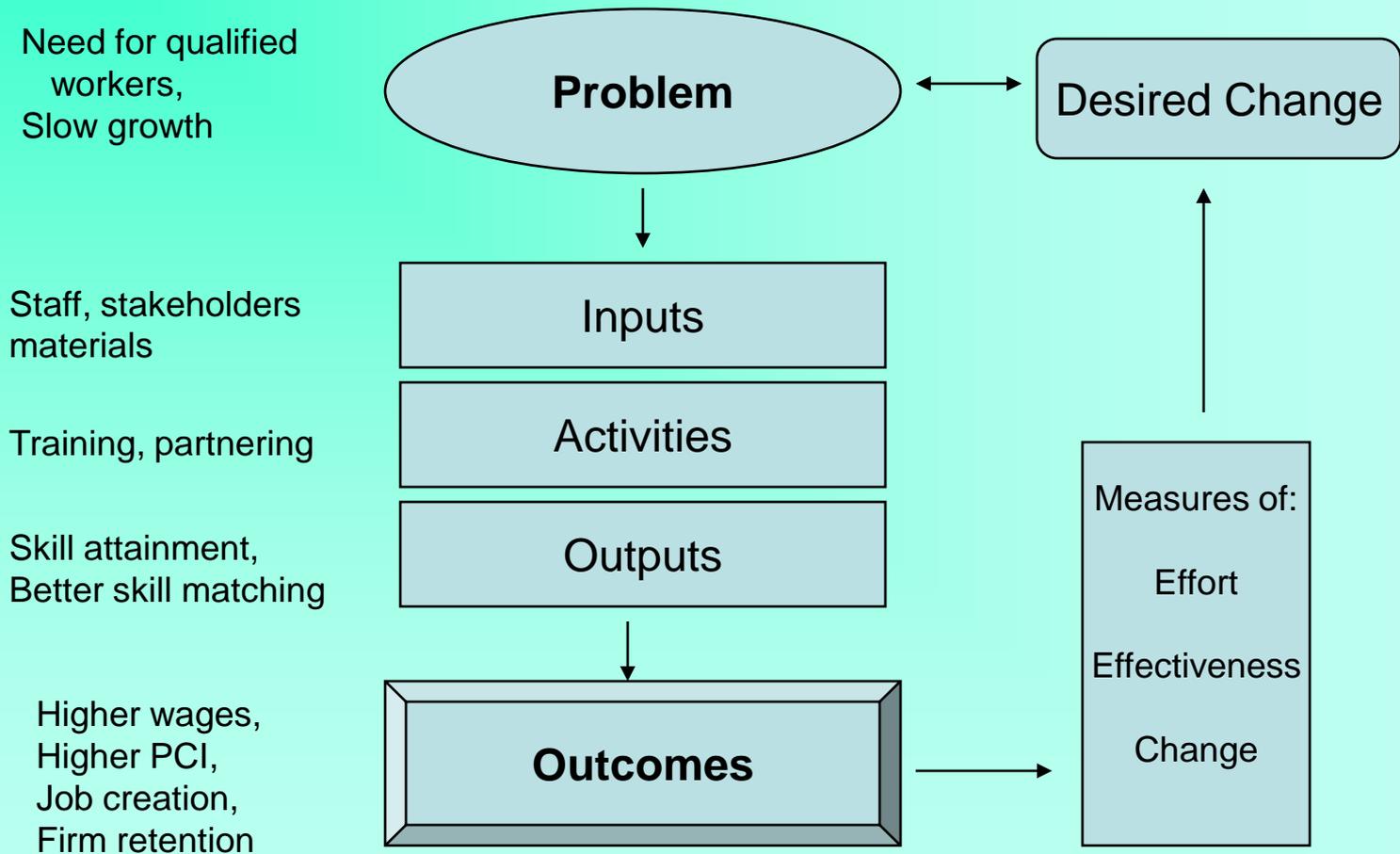
- **This question is answered somewhat by answers to the “what do you want to know” questions**
- **Program designers**
 - Policy makers, practitioners, key stakeholders, academics
- **Program implementers**
 - Internal staff
 - Partners
 - Higher-level government agencies
- **Program funders**
 - Government agencies
 - Charitable foundations
 - Businesses
 - Workers
 - Taxpayers
 - Politicians
- **Program replicators**
- **Participants and recipients**

Confounding Issues: The Six Cs

- **Counterfactual (or deadweight issues)**
 - What would have happened anyway, even in the absence of the intervention
- **Contiguity (or displacement effects)**
 - Impacts of policy in targeted areas on non-targeted population or adjacent areas
- **Confounding and compounding issues**
 - Outcomes may be the result of many different, often overlapping initiatives so it is difficult to attribute impact to any one of a multitude of factors, most of which are not related to the program in question
- **Contextual effects**
 - Places and people start from a position of different assets, motivations, and aspirations, so programs that work for some may not work for others
 - Size: the program may be too small to move intended target (e.g., regional economy or improve the skills of all who need upgrading)
- **Combinatorial**
 - Sorting out combinations of services within a program
- **Choice**
 - Moving target: things change over time to affect program outcomes and participants move in and out of programs and services

(Robson, OECD/LEED, 2004)

Typical Logic Model



Step 1: Identify Problem

- **Process:**
 - Convene key stakeholders
 - Cluster Analysis and other fact-based evidence
 - Focus groups
 - Surveys
 - Explore other programs
- **Construct Vision**
- **Articulate Vision**
 - Identify leadership
 - Put vision in front of community
- **Visualize change**
 - Construct metrics
- **Set Goals reflecting desired change**

Decision Chain

Dashboard Development

Identify Factors



Relate to Economic Growth Measures



Refine Broad Indices



Develop initiative-Specific Indices



Track Indices

Develop Agenda

Assessment



Prioritize Factors



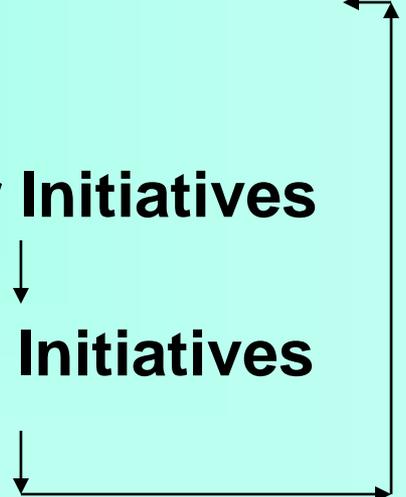
Choose Initiatives



Monitor Initiatives



Adjust Initiatives



Step 2: Process

- **Design program**
 - Evidence-based
 - Stakeholder participation and buy-in
 - Integrate monitoring, process evaluation and net outcome evaluation into program design
 - Establish clear objectives for the program in terms of “outputs”
 - Keep in mind how program “outputs” contribute to “outcomes”
 - Set up metrics to establish the critical areas that can lead to success
- **Implement program**
 - Cultivate “continual improvement” culture
- **Process/program evaluation**
 - Use metrics established in program design to determine whether the program is implemented in the way intended
 - interviews
 - Observations
 - Surveys
 - Build in appropriate/constructive feedback
 - Should be viewed as constructive not punitive

Step 3: Net Outcomes

- **Outcomes are different from program outputs**
 - Net outcomes are the resulting effect of the program on the outcomes of the region and its components (workers, businesses, civic society)
 - Must separate out the effects of the program from other factors that are unrelated to the program but may affect the same outcomes
 - More complicated than process/program evaluation
- **Approaches**
 - Assume from the analysis that was done to identify the problem and design the solution (or other evidence-based analysis) that if the program is implemented properly, the appropriate outcomes will follow
 - Survey participants and community stakeholders and ask them the value of the program
 - Can they distinguish between effects of program and effects of other unrelated factors (little evidence we have raises doubts)
 - Construct counterfactual

Net Outcomes: Counterfactuals

- **Want to know the net outcome of the program on the program participants (region, workers, businesses) if the program had not existed**
- ***Net outcomes*=*Gross outcomes* minus the effect of factors not related to the program**
- **We directly observe *gross outcomes***
- **We cannot directly observe *net outcomes***
 - **Need to be constructed or estimated**
- **Construct two worlds:**
 - **Program participants participating in the program**
 - **Program participants *not* participating in the program**
- **Need to find units (regions, workers, businesses) identical to the participants but are not part of the program**
- **Once the two worlds are constructed, take the difference in the two outcomes and test whether or not they are statistically significant**
- **The science and art of constructing counterfactuals**

Constructing Counterfactuals

- **Surveys asking participants to assess the net value they place on the program**
 - Difficult for participants to do this and evidence shows that it is a poor proxy, although it may provide a rough benchmark
- **Random assignment**
 - Randomly assign participants to the treatment group (program) and a control group (do not receive program services); with large enough numbers in each group differences between groups should be nil
 - Gold standard of rigorous evaluations, but difficult when evaluating economic development programs
 - Could and has been done for education and training programs to look at effect of treatment on individual participants (student, workers)
 - Difficult for regions, because of the limited number and the confounding factors
- **Construct groups**
 - Use observed characteristics and find units (regions, workers, businesses) with similar characteristics but who are not participants
- **Econometric analysis**
 - Use statistical techniques to “control” for factors that may affect the outcomes

Net Impact Analysis Framework

Difference-in-Differences

TREATMENT GROUP

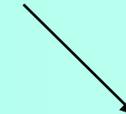
Program Started

Pre-Program
implementation

Post-program
implementation

Outcome (Treat, Post) —

Outcome (Treat, Pre)



Net Effect



Outcome (Control, Post) —

Outcome (Control, Post)

Outcome (Treatment, Pre)

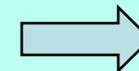
Outcome (Treatment, Post)

Outcome (control, Pre)

Outcome (control, Post)

CONTROL GROUP

What if participants are different
between the two groups? Or
circumstances are different?



Difference-in-
Differences
Approach¹⁴

Step 4: Opening the “Black Box”

- **Net outcome evaluation (net impact analysis) is a black box**
 - One observes outcomes of those participating and outcomes of those not participating and see if the difference is statistically significant
- **Even if a net outcome evaluation is successful, it only offers guidance as to whether the program is associated with outcomes that are favorable and whether the program “makes” a statistically significant difference**
- **Need to look inside the black box:**
 - Combine with program evaluation
 - Record variables that describe the program (number of hours of training or participation in partnerships) and analyze their effect on outcomes
 - Use the experience of other similar programs that may be different enough to suggest program designs that are most effective
 - Pursue continuous improvement techniques of program monitoring, etc.
- **Need to combine the net outcome evaluation with:**
 - Fiscal data to estimate benefit cost analysis
 - Econometric models to calculate displacement effects and other non-intended consequences