

# Screening (and creaming?) applicants to job training programs: the AFDC homemaker–home health aide demonstrations<sup>☆</sup>

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## Abstract

Government employment and training programs typically do not have sufficient resources to serve all those who apply for assistance. Those to be served are usually selected by program staff based on management guidelines that allow considerable policy discretion at the local level. A longstanding issue in employment and training policy is whether allowing this flexibility leads to selection of applicants (1) most likely to benefit from the program or (2) who are likely to experience the highest absolute outcomes in the absence of program services, sometimes called “creaming”.

The distinction is crucial to the success of many programs, both as redistributive tools and as economic investments. Selection of those most likely to benefit from the program—i.e., those for whom the program’s impact on subsequent labor market success will be greatest—will maximize the social return on the investment in training. In contrast, “creaming” may lead to little or no social benefit or to a substantial gain, depending on whether those selected for training—the group most likely to succeed without the treatment—in fact benefit most from it. The redistributive effects of a program will also depend on who is served: among the applicant group, a more equal distribution of economic well-being, ex post, will be achieved only if the program favors applicants likely to do worst without the intervention.

This paper explores the role of creaming in the operation of seven welfare-to-work training programs, the type of programs that have been the focus of increased expenditures over the last 10 years as more and more welfare recipients have been pushed to become self-sufficient. It considers whether the program intake practices adopted in the studied programs furthered the social goals pursued and, if not, what consequences they had on the twin concerns of distributive equity and economic efficiency.

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The analysis begins by reviewing the history of the creaming issue and its importance in the literature. A unique data set is then examined to discover the factors that influenced admission decisions in seven state-run employment and training programs for welfare recipients and how those decisions played out in terms of the in-training performance and later labor market outcomes of program participants. The principal conclusions are that these programs “creamed” the most able applicants on both observable and unobservable characteristics, but that this targeting did not systematically affect the size of program impacts or the return on investment. © 2002 Elsevier Science B.V. All rights reserved.

*Keywords:* Creaming; Welfare recipients; In-training performance; Labor market outcomes

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## **1. The “creaming” concern and its history in the literature**

The potential for “skimming the cream” from a pool of program applicants—serving those with greatest potential for success—has long been recognized as a possible concern in the design and operation of employment and training programs for disadvantaged adults. For example, state vocational rehabilitation programs for people with disabilities have faced this incentive for many years.<sup>1</sup> In these programs, reimbursement for services under federal rules depends in part on successful placement and retention of clients in jobs, which provides an obvious opportunity for program managers to do better for themselves by choosing to serve those who least need the help. Creaming took on added saliency in the 1980s when the federal Job Training Partnership Act (JTPA) tied some of the funding for the nation’s largest employment and training program for disadvantaged workers to the performance of local programs as measured primarily by job placement rates. By rewarding localities for better short-term client outcomes, performance standards create the incentive, all other things equal, to serve the most able applicants, without regard for how much different groups might benefit from the program.

Heckman et al. (1997) provided the most extensive discussion of the management incentives created by these performance standards and their potential interaction with the preferences of line staff who could favor equity goals—serving the most disadvantaged of the disadvantaged—over program funding incentives. Other researchers have found empirical evidence that JTPA picked the most able applicants although “reverse creaming”—choosing to serve the least able—has also been documented in at least one location.<sup>2</sup>

In an era of increasingly constrained resources for government social programs, it is even more important today to know whether and how program services are targeted in relation to social goals, whether those goals consist of maximizing program impacts,

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<sup>1</sup> See Rupp et al. (1996).

<sup>2</sup> Anderson et al. (1993) found evidence of creaming for JTPA programs in the state of Tennessee. Heinrich (1995) obtained similar results in Chicago. In contrast, Heckman et al. (1996) found that JTPA staff in Corpus Christi, Texas, favored the least employable applicants in their intake decisions, despite the funding incentive to get quick placements.

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