

WorkNet Pinellas ROI Summary



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Return On Investment Summary

Overview

WorkNet Pinellas Inc. contracted Collaborative Research Solutions Incorporated (CRS) to evaluate the Return On Investment (ROI) of several programs: the Economically Disadvantaged Training Program, Dislocated Worker Training Program, Younger Youth Training Program, Employed Worker Training, and Labor Exchange. The primary question for this study was “to what extent do these programs benefit commerce, communities and individuals in Pinellas County?” To examine this question, CRS conducted an analysis of the data provided for one or two program years.

Existing Data

CRS worked with Don Shepherd, Kristin Dailey and Jerome Salatino of WorkNet Pinellas to obtain the needed data to calculate the Return on Investment (ROI). Additionally, CRS conducted a survey for the EWT Program to assess increased earnings for the participants.

Return on Investment Assumptions

CRS used the Regional Input-Output Modeling System (RIMS II; U.S. Department of Commerce, 2005) to estimate the effects (specifically return on investment) these programs have on Pinellas County. The multipliers from the RIMS II take information on employment and income for one part of the economy and use it to extrapolate estimates of economic activity. A multiplier summarizes this total impact. The earnings multiplier, as used in the current study, measures the total benefit toward Pinellas County resulting from every one dollar increase in employee wages. Multipliers are calculated using direct effects, indirect effects and induced effects. Direct effects are outcomes due to increased business productivity, indirect effects occur with increased business activity of industries that supply the company with assumed productivity, and induced effects result from increased spending of the workers due to average increase of wages.

The formula below provides the manner in which ROI was calculated:

$$\text{ROI} = \frac{(\text{Increased \$ Earnings Per Hour} \times \text{Count} \times 2080 \times \text{Multiplier}) - \text{WorkNet Cost}}{\text{WorkNet Cost}}$$

Explanation of the Formula: Earning and WorkNet Cost Calculations

Earnings

- Increased \$ Earnings Per Hour = Average participant hourly rate of pay.
- Count = Total number of participants that became gainfully employed.
- 2080 = Average number of work hours in a year.
- Earning multiplier = a multiplier that show how much a dollar is worth in the economy when it gets spent.

Cost

- WorkNet Cost= Total operational costs to conduct the program.

Return on Investment Summary by Program

Table 1 shows the ROI calculations for each of the programs. The summary of these calculations are provided below.

Economically Disadvantaged Training Program

A secondary data analysis was conducted to gage the Economically Disadvantaged Training Program ROI. Economically Disadvantaged ROI was comprised of the Welfare Transition Training, Low Income Adult Training, and Older Youth Training Programs. Overall, the ROI for 04-06 was 8.91, indicating that for every dollar that WorkNet spent, \$8.91 will go back into the community.

Dislocated Worker Training Program

A secondary data analysis was conducted to gage the Dislocated Worker ROI. Overall (average from the fiscal years 04-05 and 05-06), the ROI was 2.65, indicating that for every dollar that WorkNet spent; \$2.65 will go back into the community.

Younger Youth Training Program

A secondary data analysis was conducted to gage the Younger Youth Training Program. Overall, the ROI for 04-06 was .55, indicating that for every dollar that WorkNet spent; \$0.55 will go back into the community.

Employed Worker Training (EWT) Program

To examine the EWT ROI, a total of thirteen surveys were sent to all training grant recipients for the fiscal year of July 1, 2005 to September 30, 2006. Eight of the thirteen companies provided information necessary to calculate the ROI. Many other companies produced quite a bit of financial benefit to Pinellas County, with Linatec yielding over \$690,110.00 in increased incremental earning to Pinellas County from WorkNet's \$108,448.00 investment. Information was also provided for the Super Vets program. While the monies for this program are separate from the general employee training, this program was included in the overall Employed Worker Training ROI.

The ROI for the eight companies was 2.98 and the ROI for the Super Vets program was 1.36. Overall the Employed Worker Training ROI was 2.78. This indicates that for every dollar that WorkNet spent, there is \$2.78 of incremental increased earnings to Pinellas County.

Labor Exchange Summary

A secondary data analysis and survey was conducted to gage the Labor Exchange ROI. The Overall Labor Exchange ROI (an average of the Direct/Job Order Placements and Enter Employment ROIs) was 6.52, indicating that for every dollar that WorkNet spent; \$6.52 will go back into the community.

Unaccounted/Immeasurable Benefits

One of the unaccounted benefits is the unknown impact of sustained workforce participation. The long-term financial benefits toward families and communities have not been accounted for in this ROI. Another unaccounted benefit is the psychological effect and self-esteem enhancement brought about by increased self-worth and feelings of purpose which coincide with employment.

Limitations and Delimitations

This study includes economic multipliers specific towards Pinellas County. While economic multipliers do not substantially differ for surrounding counties, generalizability—to whom/where results can be applied—should extend only to Pinellas County.

Another limitation was the conservative use of the multiplier in many of the analyses. Multipliers differ according to employment type. Where detailed information was given (e.g., nursing employment), the specific multiplier was used; when detailed information regarding type of employment was not available, the conservative 1.40 multiplier was used to err on the side of caution.

Summary and Recommendations

A secondary data analysis was conducted to gauge the ROI for several WorkNet programs. An obvious recommendation would be to fund the larger ROI programs and decrease the smaller ROI's. However, this would be a disservice in several respects. First, the lowest ROI is the Younger Youth Training Program with an ROI of .55; the ROI did not take into account those who continue to receive training and importantly the future impact of that training. Secondly, it seems reasonable that different programs would have different financial ROI's; a lower skilled workforce may require more dollars, resulting in a lower return on investment.

Overall, the ROI's seem to greatly assist Pinellas County and the community at large. Continuing the funding for the larger ROI's, continued assessment over the course of several years, and tracking of the reasons for the unemployed, given WorkNet's best efforts, will yield benefits to Pinellas County's individuals and our community.

Certification Page

I, James Lani, Ph.D., certify that the data collected and data analyses are correct and accurate to the best of my knowledge.

A handwritten signature in blue ink that reads "James Lani, Ph.D." in a cursive style.

June 14, 2007

James Lani, Ph.D.
Collaborative Research Solutions, Inc.
President and CEO

Date