

# PROPOSED APPROACHES TO WORKFORCE DEVELOPMENT PERFORMANCE MEASUREMENT

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*This policy brief by Sarah Looney and Christopher T. King provides background on the movement to develop a standard set of performance measures for the publicly funded programs that comprise the U.S. workforce development system. It also reviews two prominent proposals: the Office of Management and Budget's proposed common measures and the Integrated Performance Information project's measures.*

## ***Background***

The movement to improve the measures used to assess the performance of the U.S. workforce development system has gained momentum throughout the past two decades. Five key developments played important roles in shaping the current landscape.

First, political support for "limited government" has created an environment where publicly funded programs must go to greater lengths to demonstrate their effectiveness and efficiency in order to make the case to policymakers and taxpayers for their continued support.

Second, several program evaluations released in the 1990s argued that publicly funded employment and training programs were ineffective. Though many of these arguments were later shown to be misinterpretations, taken out of context, or manipulated for political aims, the damage done to the reputation of and support for public workforce development system further increased pressure to demonstrate positive outcomes.<sup>i</sup>

Third, leading-edge states began their own efforts to improve performance measurement as early as the late 1980s, often including "common" or "system" measures.<sup>ii</sup> Florida, Oregon, Texas, and Washington were among these states, many of which were also involved in a demonstration project sponsored by the National Governors Association (NGA) in the mid-1990s.<sup>iii</sup>

Fourth, the "reinventing government" program initiated by the Clinton Administration sought – among other goals – to make government more results-oriented. The Government Performance and Results Act of 1993 mandated the use of outcome-based performance measures in the regular evaluation of federal agencies and their programs, fostering an increased focus on performance measurement at both state and national levels.

Finally, the 1990s saw a dramatic restructuring of U.S. social service programs, including welfare and workforce development initiatives. Aspects of these reforms that had an impact on workforce development performance measurement include:

- The implementation of welfare time limits, resulting in increased pressure on education and training programs to quickly move a large population of people with limited education and work experience off welfare rolls and into employment.
- An emphasis on "work-first" approaches that prioritize immediate labor market entry over training and skill development.
- A concerted effort to move away from traditional program "silos" and deliver services through a seamless, integrated workforce development system. The "one-stop" career center model is an outcome of this movement.

With redesigned workforce development programs came redesigned measures. Despite the new system-oriented focus, several performance measurement issues persist:

- Programs have disparate performance measurement policies that typically cannot be applied easily across programs or states.
- Some programs – including WIA, TANF, Perkins Vocation Ed, and Voc Rehab – provide for incentives and sanctions, while others do not.
- Unemployment Insurance wage records are becoming the primary data source for measuring employment and earning outcomes for most (but not all) programs, yet they continue to be difficult to access on a timely basis.<sup>iv</sup>
- Performance measurement policies and measures aren't always well defined.<sup>v</sup>

Additional reforms are clearly needed before we can accurately and effectively measure the performance of the U.S. workforce development system. A number of initiatives have emerged in response to this need, including state-based reforms (although not addressed in this brief), the Office of Management and Budget's (OMB) common measures, the Working Poor Families project, and the Integrated Performance Information project.

### ***OMB Common Measures***

When President Bush took office in 2001, he directed his administration to continue to build on management reforms initiated in previous administrations. In response to this mandate, the OMB developed various sets of "common measures" –performance measures to be applied across programs with similar goals. The OMB ultimately developed eight performance measures for education and training programs – four measures for adults and four for youth.

The adult and youth common measures are described in Figure One. The adult measures must be calculated using wage records such as UI wage records, the National Directory of New Hires, Department of Defense, Office of Personnel Management, United States Postal Service, Railroad Retirement System, and state and local government employment records. Youth measures are to be calculated from UI wage records, standardized assessment instruments, and administrative records.

The workforce development community's reaction to the OMB common measures has been mixed. On the one hand, most stakeholders are pleased to see progress towards measures that approach the system as a whole rather than perpetuate individual program silos. There are many advantages to the system-oriented approach to performance measurement, including greater accountability, improved strategic planning, expanded research, better resource measurement, and a sense of shared-responsibility across workforce programs and funding streams.<sup>vi</sup> Furthermore, they have greater resonance with the tax-paying public.

At the same time, there are legitimate concerns about some of the specific measures the OMB selected. The adult and youth efficiency ("cost-per") measures have drawn the greatest number of objections. By myopically focusing on the amount of money spent on a customer, this measure completely ignores outcomes. This indicator would put more costly education and training programs at an inherent disadvantage to less expensive "employment services" programs, creating pressure to adopt "low-road" strategies.

Additionally, a cost-per measure may encourage programs to "cream" results by quickly pushing a large number of job-ready customers through employment services programming to boost participation numbers and subsequently drive down per-participant costs, a scenario which would emphasize meeting arbitrary performance goals over satisfying actual customer needs. Many critics have pointed out that JTPA programs used similar cost-per measures in the 1980s only to find that they led to adverse effects on clients (e.g. "creaming") and services.<sup>vii</sup>

Other commonly cited criticisms of the proposed OMB common measures include:

- Adult and Youth Entered Employment Measures – Measuring employment in the 1<sup>st</sup> quarter after program exit encourages programs to "game" their outcomes by keeping participants enrolled indefinitely until they actually secure jobs.
- Adult Earnings Increase Measure – This measure creates a disincentive to serve displaced workers who made high wages prior to a layoff but lack marketable job skills and, as such, are unlikely to be placed in a new position with similar or higher earnings. Additionally, it is unlikely that most newly hired workers will receive a raise during their first three quarters of employment.
- Youth Credential Attainment Measure – Because it provides no guidelines as to what kind of "certificates" are acceptable, this measure is open to gaming by program operators who could invent "certificate" programs based on arbitrary criteria.
- Youth Literacy and Numeracy Gains Measures – Like the credential attainment measures, these measures provide insufficient guidelines as currently written.

Partly in response to these concerns, implementation of the OMB measures was delayed indefinitely. However, the U.S. Department of Labor (DOL) is now moving forward with implementation of a new reporting system with measures based largely on the OMB measures. ETA's Management Information and Longitudinal Evaluation (EMILE) reporting system aims to consolidate reporting in order to reduce duplicate record keeping, streamline grantee information systems, and facilitate comparable performance results measurement. Implementation of EMILE will effectively establish the OMB common measures as the new standard for all DOL programs (e.g. WIA,

## FIGURE ONE

### OMB COMMON MEASURES

#### *Adult Measures*

##### Entered Employment

Percentage workforce development system users employed in the 1st quarter after program/system exit;

##### Retention

Percentage of those former workforce development system users employed in the 1st quarter after program/system exit that were still employed in the 2nd and 3rd quarters after exit;

##### Earnings Increase

Percentage change in earnings for system users: (i) pre-registration to post-program and (ii) 1st quarter after exit to 3rd quarter after exit; and

##### Efficiency ("cost-per")

The annual cost per participant.

#### *Youth Measures*

##### Placement in Employment or Education

Entered employment or enrolled in education and/or training 1st quarter after program/system exit;

##### Attainment of a Degree or Certificate

Percentage of participants that earned a diploma, GED or certificate;

##### Literacy and Numeracy Gains

Attainment of literacy and numeracy skills by participants; and

##### Efficiency ("cost-per")

The annual cost per participant.

*Sources: Memorandum from Grace A. Kilbane, Administrator, Office of Workforce Investment, "Preparation for Implementation of the Office of Management and Budget (OMB) Common Performance Measures for Job Training and Employment Programs," to All H-1B Technical Skills Training Program Grantees, August 21, 2003. Online. Available: [http://ows.doleta.gov/dmstree/ten/ten2k3/ten\\_03-03.htm](http://ows.doleta.gov/dmstree/ten/ten2k3/ten_03-03.htm). Accessed January 27, 2005; Memorandum from Emily Stover Derocco, Assistant Secretary, Employment and Training Administration, "Attachment B: Common Measures for Job Training and Employment Programs," to All State Workforce Liaisons and Agencies, March 27, 2003. Online. Available: [http://ows.doleta.gov/dmstree/ten/ten2k2/ten\\_08-02a2.htm](http://ows.doleta.gov/dmstree/ten/ten2k2/ten_08-02a2.htm). Accessed January 27, 2005.*

Employment Services, TAA).

### ***Independent Initiatives***

At the same time the OMB was developing its common measures, several foundations, advocacy organizations, and leading-edge states were independently engaged in discussions about how to better measure the performance of the workforce development system.

### **The Working Poor Families Project**

In 2001, the Annie E. Casey Foundation started the Working Poor Families Project (WFPF) to assess state efforts to assist the working poor. The project centered on an assessment tool developed to capture information about demographics, policies, and program performance in four substantive areas:

- The conditions of economically distressed working families;
- Educations and skills training available to working adults;
- Employment opportunities for entry level and low-wage workers; and
- Conditions/employee benefits at existing jobs.<sup>viii</sup>

Each participating organization compiled a report describing their state's efforts as captured by the more than one hundred indicators covering these four areas. The data used for the project primarily came from the American Community Survey, the Current Population Survey, and the Occupational Employment Survey.

The Working Poor Families Project was managed by Brandon Roberts + Associates with assistance from a partner organization (typically a nonprofit advocacy group) in each state. Participating states included Arkansas, California, Colorado, Florida, Illinois Kentucky, Maine, Maryland, Massachusetts, Michigan, New York, Ohio, Texas Washington, and Wisconsin. The Annie E. Casey, Ford and Rockefeller Foundations provided financial support for the initiative.

### **NGA Initiatives**

As mentioned earlier, National Governors Association (NGA) has advocated for system-oriented approaches to performance measurement for over a decade. The NGA has provided technical assistance to numerous states in their efforts to update and upgrade their performance measures and management tools. Improved performance measurement was one of the central themes of the Next-Generation Workforce Development System Project and the associated policy academy that six states (ID, MO, MT, NJ, OH, and VA) participated in from 2002 through 2004 with support from the Ford Foundation and the U.S. Department of Labor. Several of the participating states substantially revamped their approach to workforce performance measurement as a result.<sup>ix</sup> Additionally, as part of the NGA Center for Best Practices Nonfederal System Measures project, in 2003 the Ray Marshall Center (RMC) surveyed and reported on best practices in non-federal workforce system performance measures in ten leading-edge states.<sup>x</sup>

### **Integrated Performance Information Initiative**

The Integrated Performance Information (IPI) initiative was led by the State of Washington, a long-time leader in performance measurement. Washington State worked with the NGA to convene several meetings with representatives of six states (FL, MI, MT, OR, TX, and WA) in order to look at strategies for integrating performance information across programs and levels of government. The Ray Marshall Center served as a consultant to the IPI process.

FIGURE TWO  
**IPI PROPOSED MEASURES**

Short-term Employment Rate

Percentage of participants employed (or, for youth, enrolled in education) in the second quarter after exit.

Long-term Employment Rate

Percentage of participants employed (or, for youth, enrolled in education) in the fourth quarter after exit.

Earnings Level

Median earnings during the 2<sup>nd</sup> quarter after exit among exiters with earnings.

Credential Completion Rate

Percentage of exiters who have completed a certificate, degree, diploma, licensure, or industry-recognized credential during participation or within one year.

Repeat Employer Customers

Percentage of employers who are served who return to the same program for service within one year.

Employer Market Penetration

Percentage of all employers who are served during one year.

Taxpayer Return on Investment

Net impact on tax revenue and social welfare payments compared to the cost of services.

Participant Return on Investment

Net impact on participant earnings and employer-provided benefits compared to the cost of services.

*Source: Wilson, Bryan. (February 2005). "Integrated Performance Information for Workforce Development: A Blueprint for States."*

Each state team included a representative cross-section of workforce development programs including WIA, TANF, education, and Vocational Rehabilitation. The states met several times during 2004 to "share experiences and lessons learned, review technical papers, think through key questions, and arrive at a consensus on key aspects of integrated performance information. The group has proposed using eight measures that are described in Figure Two.

There are potential issues with some of the IPI measures as well. The Taxpayer Return on Investment measure, for example, could be extremely difficult to calculate. Nevertheless, these measures enjoy a remarkable consensus based on a diverse set of programs in more than 15 states. Because of the concerns with the OMB common measures, some IPI participants are asking policymakers to review the recommended IPI measures as a viable alternative.

***The Window of Opportunity***

Clearly, a perfect set of workforce development performance measures is probably unattainable. Nevertheless, policymakers have an obligation to ensure that those measures ultimately selected are as accurate, easy-to-measure, fair, and useful as possible.

The final decision on what set of workforce development performance measures will be implemented could be decided by the U.S. Congress sometime this year. WIA, Perkins, and TANF are all up for reauthorization during the current legislative session, leaving open the possibility that additional sets of measures may be proposed as part of reauthorization legislation. Furthermore, major changes to these programs could result in the need to revise the current OMB and IPI proposals. This is an opportune time for workforce development advocates, researchers, and practitioners to engage policymakers in a discussion about workforce development performance measurement.

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<sup>i</sup> For a more detailed discussion on the efficacy of skill training programs, see King (2004) "The Effectiveness of Publicly Financed Training in the United States: Implications for WIA and Related Programs" in O'Leary, Straits, and Wandner (eds.) *Job Training Policy in the United States*, Kalamazoo, MI: W.E. Upjohn Institute for Employment Research and Smith et al (2002) *Skills Training Works: Examining The Evidence*, Washington, DC: The Workforce Alliance.

<sup>ii</sup> O'Shea, Dan, Sarah Looney and Christopher T. King. (December 2003). *Non-federal Workforce System Performance Measures in the States: Overview*, Austin, TX: Ray Marshall Center for the Study of Human Resources, Univ. of Texas at Austin.

<sup>iii</sup> Trott, Charles E. and John Baj (1996). *Developing a Common Performance Management Framework for a State Workforce Development System: A Guidebook for States*, Dekalb, Illinois: Center for Governmental Studies, Northern Illinois University.

<sup>iv</sup> U.S. General Accounting Office. (February 2002). *Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness*, Report No. GAO-02-275. Washington, DC: U.S. General Accounting Office. Online. Available: <http://www.gao.gov/new.items/d02275.pdf>. Accessed January 27, 2005.

<sup>v</sup> Ibid.

<sup>vi</sup> Wilson, Bryan. (February 2005). *Integrated Performance Information for Workforce Development: A Blueprint for States*. Olympia, WA: Washington State Workforce Training and Education Coordinating Board.

<sup>vii</sup> Dickinson, Katherine, Richard West, Deborah Kogan, David Drury, Marlene Franks, Laura Schlichtmann, and Mary Vencill (1988). *Evaluation of the Effects of JTPA Performance Standards on Clients, Services and Costs*, Washington, DC: National Commission for Employment Policy, Research Report 88-16.

<sup>viii</sup> Annie E. Casey Foundation. (2005). *The Working Poor Families Project*. Online. Available: <http://www.aecf.org/initiatives/jobsinitiative/workingpoor2.htm>. Accessed: February 21, 2005.

<sup>ix</sup> Simon, Martin and Linda Hoffman. (December 2004). *The Next Generation of Workforce Development Project: A Six-State Policy Academy to Enhance Connections Between Workforce and Economic Development Policy, Final Project Report*, Washington, D.C.: National Governors Association Center for Best Practices.

<sup>x</sup> O'Shea, Dan, Sarah Looney and Christopher T. King. (December 2003). *Non-federal Workforce System Performance Measures in the States: Overview*, Austin, TX: Ray Marshall Center for the Study of Human Resources, University of Texas at Austin; O'Shea, Dan, Sarah Looney and Christopher T. King. (December 2003). *Non-federal Workforce System Performance Measures in the States: Ten State Profiles*, Austin, TX: Ray Marshall Center for the Study of Human Resources, University of Texas at Austin.